



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 11, 2010

Bottled Water Subject to Sales Tax

Background Second Engrossed Substitute Senate Bill (2ESSB) 6143, Part 9, temporarily extends the sales tax to retail sales of bottled water, while providing limited exemptions.

Summary Purchases of bottled water are subject to sales or use tax beginning June 1, 2010, through July 1, 2013.

What is bottled water? Bottled water is water that is placed in a safety-sealed container or package for human consumption. Bottled water is calorie free and does not contain sweeteners or other additives except that it may contain: (i) Antimicrobial agents; (ii) fluoride; (iii) carbonation; (iv) vitamins, minerals, and electrolytes; (v) oxygen; (vi) preservatives; and (vii) only those flavors, extracts, or essences derived from a spice or fruit.

Bottled water includes water that is delivered to the buyer in a reusable, safety-sealed container that is not sold with the water.

Bottled water does not include ice. For this reason, 2ESSB 6143 does not affect the taxability of ice. The Department of Revenue (Department) rule, Washington Administrative Code (WAC) 458-20-244 explains that sales tax does not apply to ice sold in cubed, shaved, or crushed form in packages or quantities of ten pounds or less. However, sales tax does apply to ice sold in bags, containers, or units of greater than ten pounds and blocks of ice of any weight because such ice is not considered a food or food ingredient.

Bottled water also does not include water that is dispensed from a self-service dispenser, such as those available in grocery stores, when the container is not safety-sealed. It makes no difference if the buyer uses their own container or separately purchases an empty container from the seller. The charge for the container is, however, subject to sales tax.

If you have a question about the taxability of a specific product, you are encouraged to provide a copy of the product label and request a ruling from the Department. A tax ruling may be obtained by writing to:

Taxpayer Information and Education
PO Box 47478
Olympia WA 98504-7478

Or send an email to rulings@dor.wa.gov

P.O. BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 1-800-647-7706 | [HTTP://DOR.WA.GOV](http://DOR.WA.GOV)

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360)705-6715. Teletype (TTY) users please call 1-800-451-7985.

Exemptions

The new law provides two exemptions for purchases of bottled water. Buyers claiming an exemption are responsible for keeping records that verify their eligibility for the exemption.

1. ***No source of potable water***

Retail sales and use taxes do not apply to sales of bottled water for human use to persons who do not have a readily available source of potable water. Potable water is water that is safe for human consumption.

2. ***Water dispensed to patients pursuant to a prescription***

Retail sales and use taxes do not apply to sales of bottled water for human use dispensed or to be dispensed to patients, pursuant to a prescription for use in the cure, mitigation, treatment, or prevention of disease or medical condition.

“Prescription” means an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of this state to prescribe.

Claiming the exemptions

Refund for exempt bottled water purchased at the seller’s location

A seller that sells bottled water at the seller’s location, such as a grocery store, must collect sales tax regardless of whether one of the above exemptions applies. The buyer may request a refund directly from the Department when the cumulative amount of sales tax paid for exempt bottled water is at least \$25. The buyer must provide copies of receipts to the Department to verify the amount of sales tax paid for bottled water. A buyer may accumulate receipts for multiple purchases of exempt bottled water to meet the \$25 threshold for a refund. However, the buyer must request the refund within four years of the end of the year in which the tax was paid to the seller for the initial purchase of exempt bottled water.

A form and instructions for requesting a refund will be available on the Department’s website (dor.wa.gov) before June 1st.

Example: A homeowner receives notice from their water district that the water supply is temporarily contaminated. During the period of contamination, the homeowner relies on individually-sized bottled water purchased at a local grocery store. The homeowner must pay sales tax to the seller when purchasing the water. During the contamination period, the homeowner paid \$30 in state and local sales taxes on bottled water and saved the receipts. The homeowner may request from the Department a refund of the tax paid.

Bottled water purchased from a delivery service

A seller, such as a water delivery service, that delivers water to the buyer’s location in a reusable container that is not sold with the water is not required to collect the sales tax when the buyer provides the seller with an appropriate exemption certificate. The buyer must complete the certificate and indicate the reason for the exemption.

When making tax-exempt sales of bottled water that is delivered to the buyer’s location, the seller may accept a completed copy of either a *Buyer’s Retail Sales Tax Exemption Certificate* or a *Streamlined Sales Tax (SST) Exemption Certificate*. Both exemption certificates are available on the Department’s website.

When reporting sales of bottled water, the seller must include exempt sales of bottled water in their gross sales under “Retail Sales” (line code 01) and then claim a deduction on the deduction detail pages under “Other” (line code 0199) specifying “exempt bottled water” as the reason for the deduction. The seller must also keep the exemption certificates with the business records for five years after the most recent sale made under the certificate.

Example: A homeowner receives notice that the community well from which the homeowner receives water will be contaminated for an extended period. The homeowner contracts with a service to make deliveries of water to their home. Each week, the delivery service delivers water in sealed five gallon containers and retrieves any empty containers. The homeowner may provide a *Buyer’s Retail Sales Tax Exemption Certificate* or *SST Exemption Certificate* to the delivery service to exempt the sale of bottled water during the contamination period.

Signs for retailers

A small sign explaining that candy, bottled water and gum are subject to sales tax can be downloaded from the Department’s website. The sign also provides consumers with a web address for more information. Retailers may print the sign to post in appropriate places.

**SNAP
(Food Stamp
Program)**

Retail sales tax does not apply to products, including bottled water, purchased under the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program. For further information, please refer to WAC 458-20-244.

**For more
information**

To learn more about this new legislation, visit our website at dor.wa.gov/newlegislation and click on *Bottled water exemption repealed*. For questions, send an email to dorcommunications@dor.wa.gov, or call the Department’s Telephone Information Center at 1-800-647-7706.