



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 6, 2015

## **Environmental Handling Charge on Mercury-Containing Light Bulbs Exempt from Business and Occupation (B&O) Tax**

Beginning January 1, 2015, producers and retailers of mercury-containing light bulbs must add a 25-cent Environmental Handling Charge (EHC) to the purchase price of bulbs sold at retail in Washington. The EHC funds a program for collecting and recycling these types of light bulbs ([Chapter 70.275 RCW](#)).

Beginning July 24, 2015, income from the EHC is exempt from B&O tax for these producers, retailers and PCA Product Stewardship Inc. (PCA), the program's steward.

The 25-cent EHC goes to PCA to pay for the recycling program ([Substitute House Bill 1619](#)).

### **What does the exemption cover?**

The new B&O tax exemption only applies to gross income received by producers and retailers from the EHC added to the purchase price of mercury-containing light bulbs they sell. The B&O tax exemption also applies to the portion of the EHC retained by retailers to cover their costs for collecting the EHC. PCA is also exempt from B&O tax on the EHC payments it receives from producers and retailers.

"Producers" and "retailers," as used above are defined in the law ([RCW 70.275.020](#)).

### **Is the EHC included in the price of light bulbs subject to retail sales tax?**

Yes. Retail sales tax must be collected on the total amount charged to the consumer for the bulbs, including the 25-cent per bulb EHC.

### **How do I report my income from January 1 – July 23, 2015?**

If you are a manufacturer, who is the producer, you pay PCA 25 cents per bulb sold in Washington. The full amount you charge a retailer, including the 25-cent EHC, is subject to both Manufacturing and Wholesaling B&O tax.

If you are a wholesaler, who pays the EHC for the producer, you pay PCA 25 cents per bulb. The full amount you charge a retailer, including the 25-cent EHC, is subject to Wholesaling B&O tax.

If you are a distributor, who pays the EHC for the producer, you pay PCA 25 cents per bulb for retail sales, but not on wholesale sales. The full amount you charge the customer, including the 25-cent EHC, is subject to Retailing B&O and retail sales taxes.

If you are a retailer who pays the EHC on the producer's behalf, you pay PCA 23 cents per bulb and keep 2 cents to cover your administrative costs. The full amount you charge the customer, including the 25-cent EHC, is subject to Retailing B&O and retail sales taxes.

In addition, you must report the 2 cents that you keep to cover your costs under the Service and Other Activities B&O tax classification.

### **How do I report my income and claim the deduction beginning July 24, 2015?**

Report your income the same way as above, then claim a deduction under the proper B&O tax classification as "Other" and write in "Environmental Handling Charge B&O tax exemption."

This is a B&O tax exemption only. Retail sales tax is still due on the total charge to the customer, including the 25-cent EHC.

### **Questions?**

For general tax questions, call our Telephone Information Center at 1-800-647-7706.

For questions regarding the Environmental Handling Charge or the Products Stewardship Program, visit the Department of Ecology website at: <http://www.ecy.wa.gov/programs/swfa/mercurylights/>