

# Special Notice

*Intended audience: compact florescent bulb manufacturers and retailers*

**Jan. 4, 2018**

## **Environmental Handling Charge on mercury-containing light bulbs exempt from business and occupation (B&O) tax**

### **What's new?**

The Environmental Handling Charge (EHC) will be raised from 50 cents to 95 cents for each mercury-containing light bulb sold at retail in or into Washington. This starts Feb. 1, 2018 ([RCW 70.275.050\(3\)](#)).

The 95-cent EHC goes toward a non-profit light bulb recycling program administered by PCA Product Stewardship Incorporated (PCA).

### **Can I take a tax exemption for this 95-cent charge?**

Yes. Producers and retailers can take a B&O tax exemption as long as they added the EHC charge to the selling price of the mercury-containing light bulbs. This exemption applies to the gross income.

This exemption also applies to the EHC portion retailers keep to cover their costs for collecting the charge.

EHC payments that PCA receives from producers and retailers is also exempt from B&O tax (RCW 82.04.660).

You can find the legal definitions of "producers" and "retailers," in [RCW 70.275.020](#).

### **Is the EHC already included in light bulb prices subject to sales tax?**

Yes. This total amount includes the 95-cent per bulb EHC. You must collect sales tax on the total amount you charge the consumer including the 95-cent EHC.

## How do I report my income?

*If you are a manufacturer who is the producer:*

1. You pay PCA 95 cents per bulb sold in or into Washington.
2. Claim a deduction under the proper B&O tax classification as "Other."
3. Write in "Environmental Handling Charge B&O tax exemption."

*If you are a distributor who pays the EHC for the producer:*

1. You pay PCA 95 cents per bulb for retail sales. However, you don't pay this on wholesale sales.
2. Charge the retailer the 95-cent EHC. The full amount is subject to retailing B&O tax.

*If you are a retailer who pays the EHC on the producer's behalf:*

1. You pay PCA 93 cents per bulb.
2. Keep 2 cents to cover your administrative costs.
3. You must report the 2 cents that you keep to cover your costs under the Service and Other Activities B&O tax classification.
4. Claim a deduction under the proper B&O tax classification as "Other."
5. Write in "Environmental Handling Charge B&O tax exemption."

## Is this a new law?

No. On January 1, 2015, the law required producers and retailers of mercury-containing light bulbs to add an EHC to these light bulbs. The law requires the stewardship organization (PCA, in this case) to recommend annual charge changes the Dept. of Ecology (RCW 70.275.050) .

## Questions?

- For general tax questions, call our Telephone Information Center at 1-800-647-7706.
- For questions about the Environmental Handling Charge or the Products Stewardship Program, visit the Department of Ecology website at: <http://www.ecy.wa.gov/programs/swfa/mercurylights/>

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For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.