

# FINAL BILL REPORT

## 2ESB 5555

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### PARTIAL VETO

C 12 L 95 E1

Synopsis as Enacted

**Brief Description:** Modifying taxation of massage services.

**Sponsors:** Senators C. Anderson, Long, Kohl, A. Anderson, Fairley, Sheldon, Prentice and Moyer.

### Senate Committee on Ways & Means

**Background:** The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. In 1993, the Legislature extended the retail sales tax to massage services.

As a result of the 1993 changes, the business and occupation (B&O) tax classification of massage services changed from service, which was taxed at the rate of 1.5 percent, to retailing, which is taxed at the rate of 0.471 percent.

Initiative Measure No. 601 prohibits, prior to July 1, 1995, any new or increased taxes or revenue-neutral tax-shifts unless approved by the voters at a November general election.

**Summary:** Massage services are removed from the definition of retail sale. As a result of this change, these activities are no longer subject to the retail sales tax. A new B&O tax classification is created to retain massage services at a rate of 0.471 percent.

### Votes on Final Passage:

Senate 48 0

#### First Special Session

Senate 46 0

House 90 7

**Effective:** July 1, 1995

**Partial Veto Summary:** The new B&O tax classification was vetoed. As a result, massage services will be taxed under the miscellaneous service classification. This rate is currently 2.09 percent.