

# HB 2850

## Bill Analysis

February 1, 2000

**Brief Description:** Modifying the tax treatment of linen and uniform supply services.

**Bill Sponsors:** Representatives Reardon, Schoesler, Scott, D. Schmidt, Tokuda, Skinner, Thomas, Clements, Dunshee, McIntire and Pennington.

### Brief Summary of Bill

- The supplying of clean linen and uniforms is subject to the retail sales tax as a rental activity rather than as a cleaning or laundering activity.

**Staff:** Linda Brooks, 786-7153.

### Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Sales tax applies to some services. The cleaning of tangible personal property is a service subject to sales tax. According to the Department of Revenue's (DOR) rules, linen supply services are subject to sales tax, if the laundering of linen, uniforms, or towels takes place in Washington. If linen supply services are sold to non-residents, sales tax is due because the laundering activity takes place in Washington.

In contrast, when an out-of-state business sells linen supply services to Washington residents, no sales tax applies. The DOR's rules explain that no sales tax is due because the laundering

activity takes place out-of-state.

Sales tax applies to the rental of tangible personal property. A rental to a Washington resident is subject to tax. A rental to a non-resident is not subject to sales tax, if the rented item is delivered to the customer at an out-of-state location.

**Summary of Bill:**

Linen and uniform supply services are defined as the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and similar items. Linen uniform supply services are made subject to the retail sales tax as rental activities rather than as cleaning activities.

Sales tax is not due when a Washington linen and uniform supply service delivers linen and uniforms to a customer at an out-of-state location. In contrast, an out-of-state linen and uniform supply service must collect and remit sales taxes if it delivers linen and uniforms to a customer at an in-state location.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** This act takes effect on July 1, 2000.