

SENATE BILL REPORT

SHB 2341

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1994

Brief Description: Exempting from the sales tax certain personal services provided by nonprofit youth organizations and government agencies.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Romero, Cooke, Talcott, L. Thomas, Wood, Silver and Roland)

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Pelz, Roach, Snyder, Spanel, Sutherland, West, Williams and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: March 2, 1994

BACKGROUND:

The state retail sales tax applies to the sale to consumers of most goods and many services. The state tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The average local sales tax rate is 1.5 percent. The sales tax is paid by the purchaser and collected by the seller.

Taxable services include construction, repair, automobile parking and storage, telephone services, some recreation and amusement services, and services provided by abstract, title insurance, escrow, credit bureau businesses. In 1993, the Legislature added several categories of services to the sales tax including: coin-operated laundry facilities in apartment houses, hotels, trailer camps, and tourist camps; landscape maintenance and horticultural services other than horticultural services provided to farmers; service charges associated with tickets to professional sporting events; guided tours and guided charters; physical fitness services; tanning salon services; tattoo parlor services; massage services; steam bath services; turkish bath services; escort services; dating services; and the rental of equipment with an operator.

Many types of services remain exempt from sales tax. Major exempt categories include medical, legal, accounting,

engineering, motion pictures, veterinary, cable television, and beauty and barber services.

Physical fitness services, which are subject to sales tax, include activities such as weight lifting, running tracks, exercise equipment, aerobics classes, and personal trainers. A sales tax exemption has existed since 1981 for sales of amusement and recreation services by a nonprofit youth organization to its members. However, this exemption is limited to "amusement and recreation" activities and does not cover physical fitness activities. This exemption does not cover sales of amusement and recreation services by a government agency.

Washington law does not provide a general exemption from the retail sales tax for nonprofit organizations or government agencies. Most sales tax exemptions are for specific items, such as food for home consumption and prescription drugs. Nonprofit organizations generally collect tax from purchasers when selling goods and services subject to sales tax and pay tax when buying goods and services subject to sales tax. A few exemptions exist for nonprofit organizations: sales of amusement and recreation services by nonprofit youth organizations, sales to the Red Cross, sales of art objects to nonprofit artistic and cultural organizations, and fund raising auction sales by public benefit nonprofit organizations.

SUMMARY:

The existing sales tax exemption for amusement and recreational services sold by nonprofit youth organizations is expanded to include physical fitness services. A sales tax exemption is created for physical fitness classes provided by a local government.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: July 1, 1994

TESTIMONY FOR:

Most legislators were unaware that YMCAs would be taxed. Park districts provide services to disadvantaged and at-risk youth. They shouldn't have to pay tax. The local piece only costs \$45,000.

TESTIMONY AGAINST: None

TESTIFIED: Sharon Foster, YMCA (pro); Mike Ryherd, Evergreen Alliance (pro)