

SENATE BILL REPORT

SHB 2424

AS PASSED SENATE, MARCH 1, 1994

Brief Description: Removing "massage services" from the definition of retail sale.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Anderson, J. Kohl, Ballard, Dellwo, King, Dyer, Grant, Brough, Dorn, Lemmon, Quall, B. Thomas, Campbell, Sehlin, Wolfe, Morris, Roland, Wood, Carlson, Silver, Orr, Sheahan, Dunshee, Cothorn, Voloria, Mastin, Heavey, Long, Edmondson, Cooke, Schoesler, Kessler, Romero, Thibaudeau, Conway, Jones, Tate, Mielke, Springer and McMorris)

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Bauer, Bluechel, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Pelz, Spanel and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 22, 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; escort services; dating services; and the rental of equipment with an operator.

Massage services, along with tanning salon services, tattoo parlor services, steam bath services, escort services and

dating services are coded in the federal industrial classification manual as miscellaneous personal services. This classification system is used to organize a wide range of economic data by federal and state agencies. The Department of Revenue uses this system to organize tax data by industry.

The 1993 legislation did not define "massage services" that are subject to sales tax. The Department of Revenue determined that massage therapy is a type of physical therapy and is not a retail sale if it is part of a treatment plan ordered by a doctor for physical illness, injury, or accident. Thus, massage therapy is not subject to sales tax. Sellers of massage therapy continue to pay business and occupation tax at the service rate of 2.13 percent.

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.

Businesses selling services subject to sales tax pay B&O at the 0.471 percent retailing rate. Businesses selling services that are exempt from sales tax are liable for B&O tax at a rate of 1.7 percent, 2.13 percent or 2.5 percent, depending on the type of service.

SUMMARY:

The standard industrial classification code used for licensed massage practitioners is changed from "miscellaneous personal services" to "offices and clinics of health practitioners". The Department of Revenue is directed to study the effect of recategorizing massage practitioners as health practitioners and adjusting tax categories accordingly.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: July 1, 1994

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one