

SENATE BILL REPORT

SB 6370

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 7, 1994

Brief Description: Modifying taxation of massage services.

SPONSORS: Senators Prentice, Haugen, Erwin, Anderson, Nelson, Winsley, Fraser, Vognild, Owen, Sheldon, Bauer, Hochstatter, Prince, Loveland, Franklin and M. Rasmussen

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6370 be substituted therefor, and the substitute bill do pass.

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

Staff: Terry Wilson (786-7715)

Hearing Dates: February 2, 1994; February 7, 1994

BACKGROUND:

The state retail sales tax is imposed on each retail sale of tangible personal property and some services. Taxable services include construction services, repair services, telephone services, participatory recreation and amusement services, and some personal services, including massage services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service.

Businesses making sales at retail are subject to the state business and occupation tax under the retailing classification at the rate of 0.471 percent.

SUMMARY:

Massage services are eliminated from the definition of "retail sale." As a result, massage services are no longer subject to sales taxes and persons rendering massage services will be taxable under the service classification of the business and occupation tax at the rate of 2.13 percent.

For licensing purposes, licensed massage practitioners are classified as "offices and clinics of health practitioners, not elsewhere classified" under section 8049 of the federal standard industrial classification manual.

EFFECT OF PROPOSED SUBSTITUTE:

A referendum clause is added. The effective date is delayed to July 1, 1995.

Appropriation: none

Revenue: yes

Fiscal Note: available

Effective Date: July 1, 1995

TESTIMONY FOR:

Massage is exempt from sales tax if prescribed by a doctor for L&I or personal injury claims. Massage therapists must keep separate records and are taxable under two different B&O classifications. The sales tax here increases the cost of health care. We are willing to delay the bill until July 1, 1995, to eliminate any fiscal impact this biennium.

TESTIMONY AGAINST: None

TESTIFIED: Melanie Stewart, Lori Bielinski, American Massage Therapy Assoc. (pro); Ralph Mackey, private citizen (pro)