

HB 1588

Bill Analysis

February 11, 1997

Brief Description: Exempting hearing instruments from sales and use tax.

Bill Sponsors: Representatives Mulliken, Koster, Mielke, Cairnes, Thompson, McDonald, Bush, Schoesler, Boldt, Sheldon, Van Luven, Zellinsky, Robertson, D. Schmidt and Smith.

Staff: Linda Brooks (786-7153)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. Services subject to sales and use tax include the installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

Washington law provides for some sales and use tax exemptions. Sales of hearing instruments and replacement parts are exempt. However, sales and use taxes apply to labor and service charges for repairing, cleaning, or altering a hearing instrument.

The Legislature originally exempted hearing aids from sales and use tax in 1986. Subsequent to its enactment, the Department of Revenue issued a number of publications explaining the hearing aid and other tax exemptions. At least three publications erroneously stated that hearing aid repairs were also exempt from sales and use tax. More recent publications have corrected the error. The Department, however, reports that very little, if any, tax is currently collected on hearing aid repairs.

Summary of Bill: Labor and service charges for repairing, cleaning, or altering a hearing instrument are exempted from retail sales and use taxes.

Fiscal Note: Requested

Effective Date: If enacted, the bill takes effect on October 1, 1998.

House of Representatives
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Finance Committee

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