

HB 2660

Bill Analysis

February 5, 1998

Brief Description: Exempting movie theater snack counters from the stadium tax imposed on restaurants.

Bill Sponsors: Representatives Thompson, O'Brien and Zellinsky.

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 item or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. In most areas of King county the total rate is 8.6 percent. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue.

In 1995 the Legislature authorized counties with a population greater than 1 million to impose certain taxes for the purpose of financing a professional baseball stadium. Among the taxes authorized was a special sales and use tax on food and beverages sold in restaurants, taverns, and bars, at a rate not exceeding 0.5 percent.

King County used this taxing authority to impose a 0.5 percent sales and use tax on food and beverages sold in restaurants, bars, and taverns which took effect on January 1, 1996. This 0.5 percent sales and use tax is in addition to the regular retail sales and use tax, so a total sales and use tax of 9.1 percent applies to food and beverages sold in restaurants, bars, and taverns in most areas of King County. King County must use revenues from this 0.5 percent food and beverage sales and use tax to repay baseball stadium bonds. This food and beverage tax expires when the baseball stadium bonds are retired or 20 years after the tax was first imposed, whichever comes first.

For purposes of the stadium food and beverage sales and use tax, the Department of Revenue has defined a restaurant as meaning any establishment having special space and accommodation where food and beverages are regularly sold to the public for immediate, but not necessarily on-site, consumption. The term restaurant includes lunch counters, diners, coffee shops, espresso shops or bars, concession stands or counters, delicatessens, and cafeterias, but, by statute, excludes grocery stores, mini-markets, and convenience stores. Concession stands located in movie theaters are classified as restaurants, so drinks and snacks sold in movie theaters located in King County are subject to the 0.5 percent food and beverage sales and use tax.

Summary of Bill: The term, "restaurant," does not include movie theater snack counters. As a result, a special sales and use tax up to 0.5 percent imposed by a county with a population over 1 million on food and beverages sold in restaurants, taverns, and bars for the purpose of financing a professional baseball stadium does not apply to snacks and drinks sold in movie theaters.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which the bill is passed.