

HOUSE BILL REPORT

SSB 6243

As Reported By House Committee On:

Finance

Title: An act relating to residential laundry facilities.

Brief Description: Repealing the sales tax on residential laundry facilities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Hale, Loveland, Roach, T. Sheldon, B. Sheldon, Stevens, West, McCaslin, Prentice, Goings, Oke, Schow, Swecker and Kohl).

Brief History:

Committee Activity:

Finance: 2/25/98, 3/2/98 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Thompson.

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 article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. 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.

Retail sales tax applies to some services. Services subject to sales tax include the installing, repairing, cleaning, altering, imprinting, or improving of tangible personal

property. Retail sales tax is also levied on the charges made for the use of facilities to perform services such as cleaning. Thus, retail sales tax applies to the use of coin-operated laundry facilities.

Before 1993, coin-operated laundry facilities provided for the exclusive use of tenants in apartment houses, hotels, motels, rooming houses, and trailer or tourist camps were exempt from retail sales tax. In 1993, the Legislature repealed the exemption. Since coin-operated laundries provided for tenants' exclusive use became subject to retail sales tax, the business and occupation (B&O) tax classification also changed from service to retailing. As a result of the classification change, the B&O tax rate for these laundries was reduced from the service rate of 1.5 percent to the retailing rate of 0.471 percent.

An increase in the B&O tax rate that occurs as the result of a classification change might be considered an action that raises state revenue under Initiative 601. Voters approved Initiative 601 in November 1993. The initiative requires a two-thirds vote of each house of the Legislature for an action that raises revenue, plus a vote of the people if the state expenditures, including the new revenue, will exceed the limit provided in the initiative.

Summary of Bill: Charges made for tenants' exclusive use of coin-operated laundry facilities in an apartment house, rooming house, or mobile home park are removed from the definition of retail sale. As a result, these activities are no longer subject to the retail sales and use tax. The B&O tax classification also changes from retailing to service which increases the B&O tax rate. The B&O tax rate for these laundries rises from the retailing rate of 0.471 percent to the service rate of 1.5 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: This bill reinstates an exemption that existed for 63 years. A sales tax on coin-operated laundries located in apartment complexes is a regressive tax that affects families living in these apartment complexes. The Washington Low Income Housing Congress and other groups support this legislation. When the sales tax was imposed in 1993, operators of laundries located in some federal Housing and Urban Development (HUD) complexes did not increase the price charged to do a load of laundry, even though the operators had to collect and pay an 8 to 8.5 percent sales tax. It is difficult to recoup the sales tax, because coin-operated laundries only work in quarter increments. Increasing the price to recover the tax means increasing the price by a full 25 cents.

Testimony Against: None.

Testified: Melanie Stewart and Mark Blackbourne, WARO Blackburn Services (pro);
and Patty Van Den Broek, WAA/AASK, (pro).