

SENATE BILL REPORT

HB 2566

As Reported By Senate Committee On:
Ways & Means, March 2, 1998

Title: An act relating to the retail sales tax exemption for sales of laundry service.

Brief Description: Extending the retail sales tax exemption for sales of laundry service.

Sponsors: Representatives Alexander, Linville, DeBolt, Morris and Thompson.

Brief History:

Committee Activity: Ways & Means: 3/2/98 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, Snyder, Spanel, Swecker and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services.

The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business. Currently, the rate imposed on retail sales is 0.471 percent and on general services is 1.75 percent through June 30, 1998, and 1.5 percent thereafter.

Sales of laundry service by nonprofit hospital associations composed exclusively of nonprofit hospitals to its members is not a retail sale.

Summary of Bill: Sales of laundry service by any person to nonprofit health care facilities is not a retail sale. As a result of this change, these activities are no longer subject to the retail sales tax, and the B&O tax classification changes from retailing to service.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Private laundry services cannot compete because of the price advantage. This levels the playing field. It cuts the sales tax but raises the B&O tax which is a good trade-off.

Testimony Against: None.

Testified: PRO: Representative Gary Alexander, prime sponsor; Rick Jensen, Medical Linen Service, NW Healthcare Line.