

# FINAL BILL REPORT

## SB 5195

C 408 L 97  
Synopsis as Enacted

**Brief Description:** Providing for taxation of membership sales in discount programs.

**Sponsors:** Senators Deccio and Newhouse; by request of Department of Revenue.

**Senate Committee on Ways & Means**  
**House Committee on Finance**

**Background:** The retail sales tax and the business and occupation (B&O) tax use the same definition of retail sale.

The B&O tax is Washington's major business tax. This tax is imposed on the gross receipts of business activities conducted within the state. There are several different rates under the B&O tax. There are no deductions for the costs of doing business. Although there are several different rates, on July 1, 1997 the principal rates will be as follows:

Manufacturing/wholesaling/extracting	0.484%
Retailing	0.471%
Services	
- Business Services	2.0%
- Financial Services	1.6%
- Other activities	1.75%

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 rate is between 7 percent and 8.2 percent, depending on the location.

Currently, the B&O service rate is applied to the gross receipts of businesses that develop programs that entitle members to discounts on the purchase of products or service from participating vendors.

**Summary:** A B&O exemption is provided for sales of memberships when the membership materials are delivered out of state.

### Votes on Final Passage:

Senate	47	1
House	62	32 (House amended)
Senate	36	6 (Senate concurred)

**Effective:** July 1, 1997