

FINAL BILL REPORT

SHB 2850

FULL VETO

As Passed Legislature

Brief Description: Modifying the tax treatment of linen and uniform supply services.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Reardon, Schoesler, Scott, D. Schmidt, Tokuda, Skinner, Thomas, Clements, Dunshee, McIntire and Pennington).

House Committee on Finance
Senate Committee on Ways & Means

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.

Sales tax also applies to some services. The cleaning of tangible personal property is a service subject to sales tax. Laundry services are subject to sales tax as cleaning activities.

According to the Department of Revenue's rules, the location of the laundering activity not the location of the customer determines whether linen and uniform supply services are subject to sales tax. Sales tax applies to linen and uniform supply services sold to residents and non-residents if the laundering activity takes place in Washington. In contrast, no sales tax is due when out-of-state businesses sell linen and uniform supply services to Washington residents, because the laundering activity takes place out-of-state.

Summary of Bill:

Linen and uniform supply services are defined as the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and similar items.

The retail sale of linen and uniform supply services occurs at the place where delivery is made to the customer. As a result, all deliveries to customers located in Washington are subject to sales tax.

Votes on Final Passage:

House 96 0

Senate 45 2 (Senate amended)

House 98 0 (House concurred)