

SENATE BILL REPORT

SHB 2850

As Reported By Senate Committee On:
Ways & Means, March 8, 2000

Title: An act relating to excise tax treatment of linen and uniform supply services.

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

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

Brief History:

Committee Activity: Ways & Means: 2/22/2000, 3/8/2000 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Spanel, Thibaudeau, Winsley, Wojahn and Zarelli.

Staff: David Schumacher (786-7474)

Background: The sales tax is imposed on retail sales of most items of tangible personal property. The state tax rate is 6.5 percent. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location.

Sales tax also applies to some services. The cleaning and laundering of tangible personal property is a service subject to sales tax.

It is the location of the activity that determines a service is subject to sales tax. In this case, sales tax applies only if the laundering of linen, uniforms, or towels takes place in Washington. It is the location of the business and not the location of the customer that determines whether the tax applies or not.

In contrast to the sales tax on services, it is the location of the customer and not the location of the business that determines the taxability of periodic rentals of tangible personal property.

Summary of Amended Bill: The place where the retail sale on linen and uniform supply occurs is defined. It is deemed to occur at the place where delivery is made. Linen and uniform supply services are defined as providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and similar items.

Since the taxability is now based on the location of the customer (and not the business), the sales tax is due when an out-of-state linen and uniform supply businesses delivers linen and uniforms to customers in Washington

Amended Bill Compared to Substitute Bill: The amended bill defines the place where the retail sale occurs. The substitute bill defined linen and uniform supply as the rental of tangible property. Both the amended bill and the substitute change the taxability to the location of the customer rather than the business; they simply do it in different ways.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2000.

Testimony For: We are currently exporting jobs and tax revenue to other states; this has to stop. The current situation provides an unfair advantage to out-of-state companies.

Testimony Against: This bill does not address the larger problems of sales taxation of retail services and tangible property. This situation deserves attention and an actual solution, not merely an exception for a single industry.

Testified: Sandi Swarthout, Overall Laundry (pro); Andrew Arizumi, Overall Laundry (pro); Vince Rosano, US Linen (pro); Dan O'Brien, Cintas (pro); Tom Jeannet, tax consultant (con); Phil Nicassio, Arhmark Co. (con).