

HOUSE BILL REPORT

HB 1385

As Reported by House Committee On:

Finance

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

Brief Description: Clarifying the taxable situs and nature of linen and uniform supply services.

Sponsors: Representatives Reardon and Pennington; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 2/6/01, 3/6/01 [DP].

Brief Summary of Bill

- A sale of linen and uniform supply services is deemed to occur at the place of delivery to the customer for the purposes of retail sales tax incidence.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services, including cleaning of tangible personal property, such as in the case of laundry supply and uniform services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service when purchased at retail in-state. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.8 percent, depending on location. Sales taxes are collected by the seller from the purchaser and remitted to the department.

According to the Department of Revenue's rules, the taxability of linen and uniform

supply services under the retail sales tax depends on the location of the laundering activity and not the location of delivery to the customer. Sales tax applies to linen and uniform supply services sold to Washington residents if the laundering activity and delivery take place in Washington. In contrast, if the delivery to the customer takes place in Washington, but the laundering activity takes place out-of-state, no sales tax is due to Washington residents. In the 2000 session, the Legislature passed SHB 2850, which had been intended originally to define a retail sale of linen and uniform supply services to occur at the place of delivery to the customer. The Governor vetoed the bill, citing a drafting error that would have applied the retail sales tax to any item of tangible personal property purchased in Washington for delivery out-of-state.

Summary of Bill:

The retail sale of linen and uniform supply services is deemed to occur at the place of delivery to the customer. "Linen and uniform supply services" means the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and similar items, regardless of whether the linen business or its customer owns the item. The definition includes supply services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 01, 2001.

Testimony For: Washington companies compete against other Oregon companies that have an 8 percent advantage. Some Oregon-based companies actively promote their business based on an 8 percent advantage. This bill would even the playing field and rectify the inequity.

The Department of Revenue did not take a stand when this issue was introduced in the 2000 session. However, one of the department's objectives is to see that the tax code does not serve as a disincentive to businesses in Washington. We are also concerned about equity.

Testimony Against: Aramark has simply complied with the manner in which Washington State law has evolved. When you make changes, people's lives are affected. We ask the Legislature to look at all costs. Trucks, fuel, and tires are not free. It is very easy to solve the problem for the favorite son.

Testified: (In support) Representative Reardon, prime sponsor; Ryan Spiller, Overall; Andrew Arazumi, Overall; Vince Rosano, US Linen & Uniform; and Tim Sekerak, Department of Revenue.

(Opposed) Jim Boldt, Aramark.