

# SENATE BILL REPORT

## HB 1385

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As Reported By Senate Committee On:  
Ways & Means, April 2, 2001

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

**Brief History:**

**Committee Activity:** Ways & Means: 3/22/01, 4/2/01 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Brown, Chair; Fairley, Vice Chair; Kline, Long, Rasmussen, Roach, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

**Staff:** Terry Wilson (786-7433)

**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 8.6 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 contains an emergency clause and takes effect on July 1, 2001.

**Testimony For:** This is a good business bill. The tax will apply if the customer is in Washington, regardless of where the laundering takes place. It levels the playing field. It is a matter of equity. Out of state companies won't be able to come into the state and offer the service at 8 percent less than Washington businesses. Current law puts the continued existence of in-state linen and laundry supply business in jeopardy.

**Testimony Against:** Aramark does not have a competitive advantage. It costs more to bring laundry into the state. Aramark buys tires and other goods in Washington. Aramark has followed the rules and it is unfair to change them.

**Testified:** PRO: Representative Reardon, prime sponsor; Tim Sekerak, DOR; Andy Ariizumi, Doug Weber, Sandi Swarthout, Overall Laundry; Vince Rosano, U.S. Linen; CON: Jim Boldt, Aramark.