

# HOUSE BILL REPORT

## HB 2403

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to a use tax exemption for amusement and recreation services donated to or by nonprofit organizations or state or local governmental entities.

**Brief Description:** Providing a use tax exemption for amusement and recreation services donated to or by nonprofit organizations or state or local governmental entities.

**Sponsors:** Representatives Quall, Orcutt, Hinkle, Morris, Schual-Berke, Cairnes, Armstrong, Hunter, Nixon, Simpson, G., Moeller, Morrell, Clibborn and Tom.

**Brief History:**

**Committee Activity:**

Finance: 1/22/04 [DP].

**Brief Summary of Bill**

- Exempts the use of amusement and recreation services by a nonprofit organization or state or local government from use tax.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

**Staff:** Mark Matteson (786-7145).

**Background:**

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.4 percent. As of December 2003, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state that were not subject to the retail sales

tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

All retail goods and services are included in the tax base for retail sales and use taxes, unless specifically exempted. In 2003, the Legislature enacted use tax exemptions for services related to installing, repairing, cleaning, altering, imprinting, or improving the certain types of property, including tangible personal property donated to or used by a nonprofit organization or governmental entity. No exemption exists, however, with respect to services that are unrelated to tangible personal property and that are used by or donated to nonprofit organizations in general or to governmental entities.

Amusement and recreation services are subject generally to the retail sales and use taxes and include under statute such activities as golf, pool, billiards, skating, bowling, ski lifts and tows, and day trips for sightseeing purposes. Such services provided by nonprofit youth organizations to its members are exempt from sales tax, however.

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**Summary of Bill:**

The use tax does not apply to amusement and recreation services that are donated to or used by a nonprofit organization or state or local governmental entity, or to the use of such services by a person to whom the services are donated or bailed if the person's use of the services are in furtherance of the purpose for which the services were originally donated.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 14, 2004.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This bill is a no-brainer for us. In recent years, I've seen a different sort of population served on golf courses, which has been facilitated both by the rise of stars like Tiger Woods and by the legal playing field, which has enabled these golfing courses to contribute their services to school teams and charitable organizations. The diversity is impressive, especially among the younger crowds participating. To encourage this activity is important, especially in light of the statistics that show so many younger people today spending so much time indoors playing video games and in front of computers.

No one has been paying this tax, since up until a recent audit even the Department of Revenue has not required payment. Many daily fee and private golf clubs allow

nonprofits and school teams to use their courses. We believe that if this tax were enforced, such users would be priced out of a beneficial opportunity.

We have programs to provide services to underserved youth, including a life skills and mentoring program at one of our clubs. These programs and scholarships that are offered through our association are funded in part through moneys raised by charities that hold events on our courses. Governor Locke himself has participated in one of these events. The enforcement of tax would really hamper such efforts.

I was a beneficiary of one of the Evans Caddy scholarships, and learned three important things in the course of receiving the benefits: responsibility, etiquette, and following rules. I have also been a coach to high school golf teams. These kids are really special and benefit greatly from being able to use these courses. These services that are donated are not inexpensive. I'm afraid that if the tax were enforced that high school golf as we know it would be gone.

**Testimony Against:** None.

**Persons Testifying:** Larry Gilhuly, United States Golf Association; Heather Hansen, Western Washington Golf Course Superintendents Association; and John Bodenhamer, Washington State Golf Association.

**Persons Signed In To Testify But Not Testifying:** None.