
Finance Committee

HB 2403

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 Summary of Bill

- The use of amusement and recreation services by a nonprofit organization or state or local government is exempt from use tax.

Hearing Date: 1/22/04

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.

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.

Appropriation: None.

Fiscal Note: Requested on January 14, 2004.

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