
Finance Committee

HB 2722

Brief Description: Modifying the excise taxation of self-service laundry facilities.

Sponsors: Representatives Grant and Mastin.

Brief Summary of Bill

- Removes the full exemption from retail sales tax for coin-operated laundry facilities at apartments, rooming houses, and mobile home parks, and reduces the tax rate under the business and occupation tax on income from such facilities from 1.5 to 0.471 percent.
- Provides a partial exemption from retail sales tax for all sales of self-service laundry facility services.

Hearing Date: 2/6/04

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 imposed at a 6.5 percent rate by the State. Cities and counties may impose a local tax at a rate up to a maximum of 3.4 percent. As of December 2002, local rates imposed 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.

Retail sales and use taxes apply to everything within the tax base that is not specifically exempt.

The business and occupation (B&O) tax is imposed on the gross receipts of business activities conducted within the State without any deduction for the costs of doing business. Different tax rates apply for various classifications of business activities and firms may be subject to one or more rate, depending upon the sources of income. The tax rate is 0.471 percent for firms engaged in retailing, including self-service laundry services in general. Firms engaged in service activities are subject to a 1.5 percent B&O rate.

Before 1993, coin-operated laundry facilities provided for the exclusive use of tenants in apartment houses, hotels, motels, rooming houses, and trailer or tourist camps were exempt from retail sales tax and subject to the B&O services tax classification. In 1993, the Legislature repealed the exemption as part of a broad measure to increase revenues from services, subjecting such laundry facilities to the B&O retailing classification and the retail sales tax. In 1998, the Legislature reinstated the pre-1993 tax treatment for facilities situated in apartment houses, rooming houses, and mobile home parks.

Summary of Bill:

Income derived from coin-operated laundry facilities at apartment houses, rooming houses, and mobile home parks is no longer entirely exempt from the retail sales tax. Instead, sales of all self-service laundry facility services are subject to a partial exemption under the retail sales tax. For the purposes of calculating the tax, the tax rate is applied to 50 percent of the gross receipts.

The tax rate on income from self-service laundry facilities at apartment houses, rooming houses, and mobile home parks is under to the B&O tax is reduced from 1.5 to 0.471 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2004.