

SENATE BILL REPORT

SB 5423

As Reported By Senate Committee On:
Ways & Means, April 7, 2003

Title: An act relating to the taxation of physical fitness services.

Brief Description: Modifying the taxation of physical fitness services.

Sponsors: Senators Swecker, Kohl-Welles, Roach, Rasmussen, Mulliken, T. Sheldon and Oke.

Brief History:

Committee Activity: Ways & Means: 2/10/03, 4/7/03 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5423 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Hale, Honeyford, Johnson, Parlette, Roach and Sheahan.

Staff: Catherine Suter (786-7442)

Background: Physical fitness services are currently considered a retail service, as opposed to a general service. As a retail service, they are subject to the sales and use tax, and those who provide them are subject to the business and occupation (B&O) tax's retailer rate.

General services are not subject to the sales and use tax, but those who provide them are subject to the higher B&O services rate.

Summary of Substitute Bill: Physical fitness services are removed from the definition of retail services as of July 1, 2006.

Substitute Bill Compared to Original Bill: The implementation date is shifted to one year later.

Appropriation: None.

Fiscal Note: Requested on January 28, 2003.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: The 1993 tax package was mostly taxing business and was considered temporary. Most business taxing efforts have been rolled back, but the treatment of physical fitness services as retail is one of the few left. This bill would level the playing field for commercial fitness services to compete with nonprofits, which are exempt from the retail sales tax.

Health clubs are not just for physically fit 24-year-olds, but plenty of older people, including senior citizens, use them, as well as families. Per the recollection of a senator present during the passage of the 1993 tax package, the package passed without notice to interested parties, and its intent was to be temporary, only four years. Thus far, fitness clubs estimate that they have contributed \$60 million to the state due to being considered retail services.

Testimony Against: None.

Testified: PRO: Senator Swecker, prime sponsor; Scott Gilreath, Washington Health and Fitness Association; Cyl Oskoui, Columbia Athletic Club.