

# HOUSE BILL REPORT

## SHB 2646

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**As Passed House:**

February 10, 2006

**Title:** An act relating to providing a sales tax exemption for trail grooming on private and state-owned land.

**Brief Description:** Providing a sales tax exemption for certain trail grooming services.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Wallace, Hinkle, Haigh and Holmquist).

**Brief History:**

**Committee Activity:**

Finance: 1/27/06, 2/1/06 [DPS].

**Floor Activity:**

Passed House: 2/10/06, 97-1.

**Brief Summary of Substitute Bill**

- Exempts purchases of trail grooming services by the state or nonprofit organizations from retail sales tax.

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**HOUSE COMMITTEE ON FINANCE**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

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

**Background:**

*Retail sales and use tax.* The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax base includes goods and 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 3.1 percent; currently, 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 which 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 (Department).

Included in the retail sales and use tax base are charges made for clearing land and moving earth, except where land is leveled for the purpose of farming, and for charges for snow removal.

*Sno-Park and trail grooming.* The Parks and Recreation Commission (Commission) has managed a winter recreation program since 1975 called Sno-Park. The Commission provides cleared parking areas in close proximity to groomed and backcountry trails on public, private and government lands. The Commission contracts with vendors to provide the trail grooming services, in which the vendor maintains and arranges the snow cover on the trails to facilitate the type of designated winter recreation for the trail.

A 2004 audit by the Department found that the Commission should pay sales and use taxes on its purchased trail grooming services.

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**Summary of Substitute Bill:**

Exempts purchases of trail grooming services by the state or nonprofit organizations from retail sales tax. Trail grooming includes the activity of snow compacting, snow redistribution, or snow removal on state-owned or privately-owned trails.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** I am not a snowmobiler. But I do have an understanding of the difficulty in determining exactly where the boundaries are between state, local, and private lands when conducting snow grooming services. It makes it very difficult to figure out where tax is owed. People in the snowmobiling community do provide a service when accidents happen. When it is so difficult to fairly assess a tax, why go after people who are providing a public service.

These people are providing a great service. There is an extensive grooming program throughout the Cascades. The program is paid for by the users. The grooming allows out of state tourists to also come and enjoy our trails.

We are snowmobilers. All grooming is done at night. The groomers are 14 feet wide and groom not little trails but existing roads, mostly Forest Service roads. Federal lands are not taxed. The grooming program has provided for a pleasant experience for users. Users want

groomed trails. Paying the state taxes means that another trail can't be groomed or an outhouse built.

**Testimony Against:** None.

**Persons Testifying:** Representative Wallace, prime sponsor; Representative Hinkle; and Howard and JoAnne Briggs, Washington State Snowmobile Association.

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