

# SENATE BILL REPORT

## SB 5623

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As Reported By Senate Committee On:  
Ways & Means, March 7, 2005

**Title:** An act relating to sales and use taxes paid by regional transit authorities for combined operations and maintenance agreements.

**Brief Description:** Clarifying that sales and use tax does not apply to certain regional transit authority service agreements.

**Sponsors:** Senators Haugen and Esser.

**Brief History:**

**Committee Activity:** Ways & Means: 2/23/05, 3/7/05 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5623 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Pridemore, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

**Staff:** Dean Carlson (786-7305)

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

With few exceptions, all retail sales of tangible personal property or services defined as retail between any two political subdivisions of the state are subject to the retail sales tax. Political subdivisions of the state engaging in any activity for which a specific charge is made are also subject to the business and occupation tax.

**Summary of Substitute Bill:** The definition of retail sale does not apply to agreements to provide maintenance services for bus, rail, or rail fixed guideway equipment when a regional transit authority is the recipient of the maintenance service and the services are being provided by another transit agency.

**Substitute Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The Department of Revenue has determined that our maintenance agreements are subject to sales tax. Sound Transit already pays a lot in sales tax. If we were to do these items our selves, sales tax would not be due.

**Testimony Against:** None.

**Who Testified:** PRO: Ron Main, Sound Transit; Steve Sheehy, Sound Transit.