

# SENATE BILL REPORT

## SB 6781

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As Reported By Senate Committee On:  
Ways & Means, February 16, 2006

**Title:** An act relating to environmental remediation.

**Brief Description:** Modifying the excise taxation of environmental remediation services.

**Sponsors:** Senators Prentice, Pflug, Fraser, Parlette, Shin and Schoesler.

**Brief History:**

**Committee Activity:** Ways & Means: 2/1/06, 2/16/06 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6781 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

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

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

Washington's major business tax is the business and occupation (B&O) tax. The 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. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity.

In 1998, the Legislature enacted special provisions for the taxation of hazardous waste cleanup projects, which expired in 2003. The retail sales tax did not apply to the sale of labor or services for environmental remedial action. The business and occupation tax rate for businesses performing environmental remedial actions was set at the retailing rate of 0.471 percent.

Activities related to these environmental cleanups are taxed according to traditional B&O tax classifications. Consulting activity, such as site evaluation or monitoring, not related to construction activity would be taxed under the service and other classification at a rate of 1.5 percent. The cleanup activity would be taxed like other construction activity; retail sales tax would be collected from the consumer and the contractor would pay B&O tax at the retailing rate of 0.471 percent.

**Summary of Substitute Bill:** The retail sales tax does not apply to the sale of labor or services for environmental remedial action. The business and occupation tax rate for businesses performing environmental remedial actions is set at the retailing rate of 0.471 percent.

"Environmental remedial action" includes services related to identification, investigation, or cleanup of hazardous substances. Environmental remedial actions must be consistent with the state Model Toxics Control Act, or other applicable laws.

The provisions of the bill expire July 1, 2010.

**Substitute Bill Compared to Original Bill:** Changes the expiration date from July 1, 2008 to July 1, 2010. Requires the environmental remediation projects to be in Washington and that the tax preferences do not apply to activities that would normally be rendered as part of site development.

**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:** During the five years the program was previously in place, there were 385 cleanups, with most done voluntarily. I am convinced that the tax preferences get these sites cleaned up more quickly. By cleaning these sites up, it stimulates development of the sites. Schnitzer by policy has voluntarily cleaned up our sites, but this would be a big help. The restoration of these tax preferences will speed the cleanup of these projects.

**Testimony Against:** None.

**Who Testified:** PRO: Jerry Smedes, Northwest Environmental Business Council, Emerald Services; Brad Tower, Schnitzer Steel; Amber Carter, AWB.