

HOUSE BILL REPORT

SHB 1498

As Passed House:

February 28, 2007

Title: An act relating to excluding self-service laundry from the definition of retail sale for excise tax purposes.

Brief Description: Excluding self-service laundry from the definition of retail sale for excise tax purposes.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Grant, Walsh, Lovick, Santos, Armstrong, Linville, Hinkle, Kessler, Green, Kenney, Williams, Ericks and Dunn).

Brief History:

Committee Activity:

Finance: 2/2/07, 2/13/07 [DPS].

Floor Activity:

Passed House: 2/28/07, 97-0.

Brief Summary of Substitute Bill

- Reenacts the retail sales and use tax exemption for self-service laundry facilities, retroactive to July 1, 2005.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, Roach and Santos.

Minority Report: Do not pass. Signed by 1 member: Representative McIntire.

Staff: Mark Matteson (786-7145).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Retail Sales and Use Taxes. The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is about 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State revenues are deposited to the State General Fund.

Business and Occupation Tax. 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 rates, depending upon the sources of income. The tax rate is 0.471 percent for firms engaged in retailing. Firms engaged in service activities, including self-service laundry services, are subject to a 1.5 percent B&O rate.

Excise Taxation of Self-Service Laundry Charges. Prior to legislative changes in 2005, charges that were made for the use of self-service laundry facilities were exempt from retail sales and use taxes only if the facilities were located in an apartment building, rooming house, or mobile home park for the purposes of the tenants. Charges made by stand-alone self-service laundry facilities were considered part of the definition of a retail sale and such establishments were required to collect retail sales tax from customers. Income generated from the charges were subject to B&O tax at the 0.471 percent retailing rate. Legislation in 2005 removed self-service laundry facilities other than those in apartments, rooming houses, and mobile home parks from the definition of retail sale. Facilities' charges are not sales taxable, and income derived from such charges is subject to the B&O tax rate at the general services rate of 1.5 percent.

Summary of Substitute Bill:

The definition of retail sale is reenacted to modify the manner in which the exclusion of charges made for the use of self-service laundry facilities is codified.

The bill is retroactive to July 1, 2005.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This is an issue that has been before us for some time. This helps the people that have to take a backseat full of laundry over to laundromats. This exemption got tangled up in a separate bill instead of being enacted in a stand alone bill, which is what we had hoped for. This bill is before you in the case that the court throws out the 2005 Legislation.

This bill clarifies the intent of the 2005 Legislation.

(Opposed) None.

Persons Testifying:

(In support) Representative Grant, prime sponsor; and Greg Tompkins, Washington State Coin Laundry Association.

Persons Signed In To Testify But Not Testifying: None.