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**Ways & Means Committee**

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**HB 1452**

**Brief Description:** Concerning the taxation of amusement and recreation services involving amateur sports.

**Sponsors:** Representatives Haigh, Orcutt, Upthegrove, Maxwell, Lias, Dammeier and Zeiger.

**Brief Summary of Bill**

- Includes charges to consumers for league fees and entry fees to participate in amusement and recreation services as a retail sale for state excise tax purposes.
- Exempts from excise taxation league and entry fees for competitive team sport activities or leagues received by a nonprofit organization or governmental entity.

**Hearing Date:** 2/1/11

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property and digital products and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

Amusement and recreation services are subject to sales and use tax. By rule, the Department of Revenue (Department) has interpreted "amusement and recreation services" to include activities such as golf, pool, billiards, skating, bowling, swimming, bungee jumping, ski lifts and tows, basketball, racquet ball, handball, squash, tennis, and all batting cages. "Amusement and

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recreation services" also include the provision of related facilities such as basketball courts, tennis courts, handball courts, swimming pools, and charges made for providing the opportunity to dance.

There is confusion as to the taxation of entry fees and league fees charged to consumers to participate in activities constituting amusement and recreation services. For example, the Department recently audited a city in Pierce County and found that the city did not collect sales tax on charges made for participation in the city's team sports leagues.

**Summary of Bill:**

The term "amusement and recreation services" is modified to include entry fee and league fee charges: (1) to participate in a team sport or join a club related to an amusement and recreation activity; (2) for the privilege of entering a tournament or other type competition or event involving an amusement and recreation activity; (3) for the privilege of allowing an individual, team, or club to join an association of teams or clubs that compete chiefly among themselves; and (4) for the use of facilities for amusement and recreation activities such as fields, courts, rinks, gymnasiums, and swimming pools.

A business and occupation tax exemption is provided for amounts received by a nonprofit organization or governmental entity to: join competitive team sport leagues or participate in competitive team sport activities. These amounts are also exempted from sales and use taxes. "Competitive team sport" is defined to mean a sport in which teams of two or more players compete against one another, where the collective effort of the teams' members determines the final score and the outcome of the competition.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 2011.

**Effective Date:** The bill takes effect August 1, 2011.