
Ways & Means Committee

SB 5501

Brief Description: Concerning the taxation of employee meals provided without specific charge.

Sponsors: Senators Murray, Kilmer, Schoesler, Conway, Honeyford, Kohl-Welles, Keiser, Shin, Holmquist Newbry and White.

Brief Summary of Bill

- Provides business and occupation tax and sales and use tax exemptions for meals provided to restaurant employees without a specific charge to the employee.

Hearing Date: 3/22/11

Staff: Rick Peterson (786-7150).

Background:

The sales tax is imposed by the state, counties, and cities on retail sales of most items of tangible personal property and some services, including construction and repair services. The state sales rate is 6.5 percent and the local rates vary by location. The combined state/local rate is between 7 and 9.5 percent, depending on location.

Food and food ingredients purchased for human consumption are exempt from sales and use tax. However, prepared meals served for consumption on the premises, or where consumption facilities are provided, are generally subject to the retail sales or use tax.

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. Revenues are deposited in the State General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are: 0.471 percent for retailing; 0.484

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percent for manufacturing, wholesaling, and extracting; and 1.8 percent for professional and personal services, and activities not classified elsewhere.

Meals provided to employees are considered to be in exchange for services received from the employee and are subject to the sales tax and retailing business and occupation tax.

Summary of Bill:

Business and occupation tax and a sales and use tax exemptions are provided to restaurants for meals provided to employees without a specific charge to the employee.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.