

# SENATE BILL REPORT

## SB 6247

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As Reported by Senate Committee On:  
Ways & Means, March 3, 2016

**Title:** An act relating to exempting from state and local taxes on-site sewage system fees required by a local government to be paid by an on-site sewage system owner to an on-site sewage system contractor or inspector.

**Brief Description:** Exempting from state and local taxes on-site sewage system fees required by a local government to be paid by an on-site sewage system owner to an on-site sewage system contractor or inspector.

**Sponsors:** Senators Angel, Takko and Bailey.

**Brief History:**

**Committee Activity:** Ways & Means: 1/25/16, 3/03/16 [DPS, DNP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6247 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Darneille, Hasegawa, Hewitt, Nelson, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

**Minority Report:** Do not pass.  
Signed by Senator Pedersen.

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

**Background:** The state of Washington requires property owners to inspect their septic systems to insure they are working properly and that they are not contaminating the soil or ground water. Local governments have been given the responsibility to assure that the septic systems in their jurisdiction are working properly and thus are responsible for the septic system inspections. Counties certify inspectors to ensure the inspections are done properly. The inspectors are responsible to ensure on site sewage systems are working properly.

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*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.*

As part of the on-site sewage system program, local boards of health may charge fees to the owners of the on-site sewage systems in order to pay for the actual costs of administration and operations of their on-site sewage program management plan. Many counties have required the certified inspectors to collect the fees from the owners of on-site sewage systems and remit them to the county. The Department of Revenue has determined that these fees are part of the gross income of the business of the certified inspectors, thus, are subject to the business and occupation tax and in some circumstances the retail sales tax.

**Summary of Bill (Recommended Substitute):** An exemption from the business and occupation tax and the sales tax is provided for fees paid by an on-site sewage system owner to a certified on-site sewage system service provider or inspector that are subsequently required to be submitted to the local government by the service provider or inspector.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** Technical changes were made

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Staff Summary of Public Testimony:** PRO: As the 12 marine counties have transitioned from a manual system to an electronic system it requires the contractor to pay the fee. Previously, the homeowner paid the fee to the county. The Department of Revenue has said that it is now subject to tax. Contractors are very unhappy to have to pay sales tax on the pass through fee. Local health jurisdictions are taking different approaches. Some are moving to the electronic system. Some are collecting the fee through the local assessor. We do about 1500 jobs per year. Many of the reports we do for the counties are different and with that we end up with different fees in different counties. Because of that, we have a hard time telling which fee should be taxed. Public health officials are in support of this bill. This is a great example of a public private partnership. It's not fair that the contractors have to pay tax on these fees.

**Persons Testifying:** PRO: Brad Banks, WSALPHO (Local Public Health); John Thomas, Washington On-Site Sewage Association; Tim Johnson, Washington On-site Sewage Assn; JR Inman, Northwest Cascade - FloHawks.

**Persons Signed In To Testify But Not Testifying:** No one.