

HOUSE BILL REPORT

HB 1253

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to business and occupation taxes.

Brief Description: Removing landscape maintenance and horticulture services from the role of businesses included under the business and occupation tax.

Sponsors: Representatives Van Luven, Campbell, Mulliken, Sheldon, Horn, Pennington, Johnson, Schoesler, Crouse, Radcliff, Foreman, Cooke, Carlson, Thompson, Chandler, Elliot, Fuhrman, Mielke, D. Schmidt, Ballasiotes, Pelesky, Goldsmith, Clements, Dyer, Mitchell, Backlund, Beeksma, Benton, Hymes, McMahan, Kremen, Scott, Sherstad, Smith and Lisk.

Brief History:

Committee Activity:

Trade & Economic Development: 1/30/95, 2/1/95, 2/6/95 [DPS].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; D. Schmidt, Vice Chairman; Sheldon, Ranking Minority Member; Veloria, Assistant Ranking Minority Member; Backlund; Ballasiotes; Hatfield; Hickel; Sherstad and Skinner.

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

Staff: Kenny Pittman (786-7392).

Background: The state retail sales tax is imposed on retail sales of most items of tangible personal property and some services. The tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local retail sales tax apply. The total retail sales tax rate falls in the range between 7 percent and 8.2 percent depending on the area.

In 1993, the Legislature extended the state and local retail sales tax to sales of certain services including landscaping maintenance and horticultural services other than horticultural services provided to farmers.

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of all business activities (other than public utilities) conducted within the state. No deductions are allowed for the cost of doing business. Although there are several different rates, the principal rates are:

Manufacturing, wholesaling, and extracting	0.506 percent
Retailing	0.471 percent
Services:	
*Business Services	2.5 percent
*Financial Services	1.7 percent
*Other Activities	2.09 percent

The retail sales tax and the B&O tax use the same definition of retail sale.

Under current law, businesses providing landscape maintenance and horticultural services but excluding horticultural services provided to farmers are considered to be retail businesses. These businesses are required to pay a B&O tax, at the retailing rate of 0.471 percent, and collect a retail sales tax, up to 8.2 percent.

Summary of Substitute Bill: The business and occupation (B&O) tax definition of "retail sale" is changed to exclude landscape maintenance and horticultural services. A new B&O tax category is created to keep the businesses' tax liability at the retailing rate of 0.471 percent of gross income. The landscape maintenance and horticultural services but excluding horticultural services provided to farmers is exempt from retail sales tax.

Substitute Bill Compared to Original Bill: A new business and occupation (B&O) tax category is created to keep the businesses' tax liability at the "retailing" rate of 0.471 percent, instead of moving it to the "services-other activities" rate of 2.09 percent, of gross income generated from landscape maintenance and horticultural services but excluding horticultural services provided to farmers. An emergency clause and effective date of July 1, 1995 is added.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: The sales tax on landscape maintenance has hurt the landscape maintenance service business. Taking care of lawns is similar to janitorial services. We are losing business because the sales tax adds 8 percent to the price of the service

we provide. The larger apartment complexes and businesses are looking to do this type of work in-house.

Testimony Against: None.

Testified: Rodney Bailey, Evergreen Services Corp. (Pro); Ron Newbry, Pacificorp (Pro); Collins Sprague, Washington Water Power Co. (Pro); Ben Wood, Washington Apartment Association (Pro); Ron Hess, Manufactured Housing Communities of Washington (Pro); Peggy Ganson, Mike Swanson, and Wes Ullman, Washington Apartment Association (Pro); Maija Mueller, Institute of Real Estate Management (Pro); and Dan Bowling, Blue Sky Landscape Services (Pro).