

HOUSE BILL REPORT

HB 1954

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to imposition of the business and occupation tax on tenant screening services.

Brief Description: Clarifying the imposition of the business and occupation tax on tenant screening companies.

Sponsors: Representatives Huff and L. Thomas.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/27/95, 3/1/95 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 12 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Grant, Assistant Ranking Minority Member; Benton; Campbell; Dellwo; Dyer; Huff; Mielke; Ogden and Pelesky.

Minority Report: Without recommendation. Signed by 3 members: Representatives Wolfe, Ranking Minority Member; Costa and Kessler.

Staff: Charlie Gavigan (786-7340).

Background: A service business pays a business and occupation tax (B & O tax) on its gross income. There are varying B & O tax rates depending on the type of services provided by the business. If the business is considered a retail service business, it must also collect sales tax from its customers.

A tenant screening business provides consumer credit services according to the Department of Revenue. Consumer credit services are retail services under state tax law. Therefore, the tenant screening service must collect sales tax from its customers and pay B & O tax on its gross income. The general B & O tax rate for services is 2 percent; for selected business services, the rate is 2.5 percent; and for financial services, the rate is 1.7 percent.

Summary of Bill: Tenant screening services are not considered retail services; the tenant screening business does not have to collect sales tax from its customers regarding these services.

Tenant screening services are selected business services for purpose of business and occupation taxes; the rate is 2.5 percent of gross income.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Tenant screening services should not be considered retail services.

Testimony Against: None.

Testified: Rep. Tom Huff, prime sponsor; Joan Schield, Tenant Screening (pro); and John Hatton, I.S. International (pro).