

HOUSE BILL REPORT

HB 1252

As Reported By House Committee On:
Trade & Economic Development

Title: An act relating to coin-operated laundry facilities.

Brief Description: Excluding certain coin-operated laundry facilities from sales taxation.

Sponsors: Representatives Van Luven, Campbell, Mulliken, Sheldon, Horn, Johnson, Schoesler, Crouse, Foreman, Cooke, Thompson, Chandler, Fuhrman, Mielke, D. Schmidt, Hargrove, Mitchell, Skinner, Hymes, Boldt, Sheahan, Kremen and Sherstad.

Brief History:

Committee Activity:

Trade & Economic Development: 1/30/95, 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 12 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; Skinner and 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 sales and use taxes apply. The total 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 taxes to sales of certain services including income generated from the use of coin-operated laundry facilities in apartment houses, hotels, trailer camps, and tourist camps.

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 coin-operated laundry facilities in apartments, hotels, trailer camps, and tourist camps 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 income generated from the use of coin-operated laundry facilities that are located in an apartment house, rooming house, or mobile home park. 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 coin-operated laundry service in an apartment house, rooming house, or mobile home park 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 coin-operated laundry facilities located in an apartment house, rooming house, or mobile home park. 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 imposition of the retail sales tax on these coin-operated laundry services is difficult to administer and collect. These facilities are provided as a convenience to the tenants who can't go to a commercial laundry-mart. The tax is regressive and hurts seniors and low-income tenants.

Testimony Against: None.

Testified: Ben Wood, Mike Swanson, and Peggy Ganson, Washington Apartment Association (Pro); Mark Blackburn, Washington Association of Apartment Operators (Pro); Doug Neyhart and Wes Ullman, Apartment Association of Seattle-King County (Pro); Jan Lang (Pro); Ron Ness, Washington Manufacturing Housing Park Owners (Pro); Keith Vincent, Vincent Services (Pro); Maija Mueller, Institute of Real Estate Management (Pro); Rick Slunaker, Yakima Valley Rental Association (Pro); and Patty Vander Block (Pro).