

FINAL BILL REPORT

SHB 1279

C 8 L 95 E2

Synopsis as Enacted

Brief Description: Providing a sales tax exemption for certain sales of magazines by subscription.

Sponsors: House Committee on Finance (originally sponsored by Representatives Pennington, Morris, Schoesler, Campbell, Boldt, Carrell, Mielke, Van Luven, Hymes, McMahan, Mulliken, Foreman, Blanton, Sherstad, Elliot, Backlund, Johnson, L. Thomas and Huff).

House Committee on Finance

Background: The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services.

Major items exempt from sales tax include food for human consumption, prescription drugs, motor vehicle fuel, utility services, professional services (e.g. medical, legal), certain business services (e.g. accounting, engineering), and items that become a component part of another product for sale.

The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms, including purchases by mail order. The United States Supreme Court has ruled that states cannot require out-of-state businesses to collect state sales or use taxes unless the business has a physical presence in the state. Therefore, tax is not generally collected on magazine subscription purchases by mail order.

Washington law does not provide a general exemption from the retail sales tax for nonprofit organizations or government agencies. Most sales tax exemptions are for specific items, such as food for home consumption and prescription drugs. Nonprofit organizations generally collect tax from purchasers when selling goods and services subject to sales tax and pay tax when buying goods and services subject to sales tax. A few exemptions exist for nonprofit organizations such as sales of amusement and recreation services by nonprofit youth organizations, sales to the Red Cross, sales of art objects to nonprofit artistic and cultural organizations, and fund raising auction sales by public benefit nonprofit organizations.

Summary: The sale of magazines by subscription for fund raising purposes by (1) educational institutions, or (2) nonprofit organizations engaged in activities for the benefit of boys and girls 19 years and younger is exempt from sales tax.

Votes on Final Passage:

House 97 0

First Special Session

House 97 0

Second Special Session

House 93 0

Senate 47 0

Effective: July 1, 1995