

# SENATE BILL REPORT

## SHB 1705

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As of March 31, 1995

**Title:** An act relating to excluding utility line clearing from the definition of retail sale.

**Brief Description:** Excluding utility line clearing from the definition of retail sale.

**Sponsors:** House Committee on Energy & Utilities (originally sponsored by Representatives Huff, Casada, Kremen, Patterson, Grant, Kessler, G. Fisher, Mielke, Crouse, Chandler, Hankins, Mitchell, Hatfield, Campbell, Smith, L. Thomas, Horn and Benton).

**Brief History:**

**Committee Activity:** Ways & Means: 4/3/95.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7715)

**Background:** The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, short-term lodging, physical fitness, and some recreation and amusement services. 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.

In 1993, the Legislature extended the retail sales and use tax to "landscape maintenance and horticultural services except horticultural services provided to farmers." Some landscaping activity was already subject to sales tax because retail sale is defined as including the altering or improving of real property. This included the planting of trees and shrubs, the construction of walkways and pools, and the installation of lawns. However, maintenance activities were not subject to tax. These activities included lawn cutting, hedge trimming, watering, and pruning or trimming of trees and shrubs.

As a result of the 1993 changes, the business and occupation (B&O) tax classification of landscape maintenance changed from service, which was taxed at the rate of 1.5 percent, to retailing, which is taxed at the rate of 0.471 percent.

**Summary of Bill:** Pruning, trimming, repairing, removing, and clearing of trees and brush near electric supply lines and equipment, if performed by or at the direction of an electric utility, is removed from the definition of retail sale. As a result of this change, these activities are no longer subject to the retail sales and use tax. To prevent the taxation of this activity at the service B&O tax rate, a new B&O tax classification is provided for this service equal to the retailing rate of 0.471 percent.

A tax credit is provided for state retail sales taxes paid on these activities after June 30, 1993. The credit may be applied against present and future B&O, use, and public utility tax liabilities.

**Appropriation:** None.

**Fiscal Note:** Available.

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