

FINAL BILL REPORT

SSB 5129

PARTIAL VETO

C 39 L 95

Synopsis as Enacted

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Sheldon, McCaslin, West and Snyder; by request of Department of Revenue).

Senate Committee on Ways & Means

House Committee on Energy & Utilities

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, lodging of less than 30 days, 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.

Initiative Measure No. 601 prohibits, prior to July 1, 1995, any new or increased taxes or revenue-neutral tax-shifts, unless approved by the voters at a November general election.

Summary: Pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or 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, and the B&O tax classification changes from retailing, which is taxed at a rate of 0.471 percent, to service, which is currently taxed at a rate of 2.09 percent.

Votes on Final Passage:

Senate	46	1
House	95	0

Effective: July 1, 1995

Partial Veto Summary: The intent section was vetoed.