

SENATE BILL REPORT

SB 5306

As of February 9, 1995

Title: An act relating to taxation of landscape maintenance and horticultural services.

Brief Description: Removing landscape maintenance and horticulture services from sales tax.

Sponsors: Senators Kohl, Roach, Schow, Winsley, Long, Wood, Heavey and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 1/31/95.

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, 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 of Bill: Landscape maintenance and horticultural services is removed from the definition of retail sale. As a result of this change, these activities will no longer be 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect August 1, 1995.

Testimony For: Landscape maintenance contracts were canceled and jobs lost when the sales tax was imposed on landscape maintenance. Landscape maintenance is 40 to 50 percent of the budgets of many apartment complexes, and with increased costs, they are bringing the work in-house. The tax hurts unskilled people and their families. Zoning now requires developers to have open space areas, but now these areas will be taxed to maintain them.

Testimony Against: None.

Testified: Senator Kohl, prime sponsor (pro); Rod Bailey, Sue Bailey, Frances Cabrel, Mark Stevens, WA Association of Landscape Professionals (pro); Steve McGonigal, WA State Nursery & Landscape Association (pro); Ben Wood, Jr, Peggy Ganson, WA Apartment Association (pro); Ron Hess, Manufactured Housing Communities of WA (pro); Maija Mueller, Jeff Powell, Institute of Real Estate Management (pro); Rudy McCoy, Gardener (pro).