

# HOUSE BILL REPORT

## HB 2104

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**As Reported By House Committee On:**  
Trade & Economic Development

**Title:** An act relating to sales and use tax exemptions for consumables used by the lodging industry.

**Brief Description:** Exempting consumables used by the lodging industry from sales and use tax.

**Sponsors:** Representative Van Luven.

**Brief History:**

**Committee Activity:**

Trade & Economic Development: 3/4/97, 3/5/97 [DP].

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### HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 8 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; McDonald and Morris.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Mason.

**Staff:** Kenny Pittman (786-7392).

**Background:** The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total combined rate is between 7 percent and 8.2 percent, depending on the location.

The sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used.

**Summary of Bill:** A sales and use tax exemption is provided on consumables sold to or used by a business engaged directly in the lodging industry. Consumables are defined as hand or body soap, hair shampoo, skin conditioners and oils, toilet paper, and tissue paper. Lodging industry means the furnishing of lodging for a continuous period of less than 30 days.

To be eligible for the sales tax exemption the purchaser must provide the seller an exemption certificate with a copy to the Department of Revenue (DOR) or provide an annual summary of exempt sales to the DOR. To be eligible for the use tax exemption the user must provide an exemption certificate to the DOR within 60 days or provide an annual summary of exempt sales to the DOR.

**Appropriation:** None.

**Fiscal Note:** Requested on February 25, 1997.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** This will address a fairness issue. Consumers are now taxed twice when they rent in a hotel. A sales tax is charged on soaps and shampoos that are in the room. This tax is included in the room charge and the consumer pays tax on the room charge. This bill would eliminate the tax on the items like soap and shampoo.

**Testimony Against:** None.

**Testified:** Becky Bogard, Washington State Hotel & Motel Association (pro).