

HOUSE BILL REPORT

HB 1184

As Reported By House Committee On:
Finance

Title: An act relating to coin-operated laundry facilities.

Brief Description: Repealing the sales tax on coin-operated laundromats in apartments and mobile home communities.

Sponsors: Representatives Van Luven, Mason, Smith, Dunn, Carrell, Delvin, Cairnes, Sheldon, B. Thomas, Morris, Quall, Koster, Mulliken, Sherstad, Schoesler, D. Schmidt, Hatfield, Wood, Honeyford and Backlund.

Brief History:

Committee Activity:

Finance: 1/15/98, 2/2/98 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Thompson.

Staff: Linda Brooks (786-7153).

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax 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 tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in 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. Use tax is paid directly to the Department of Revenue.

Retail sales tax applies to some services. Services subject to sales tax include the installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property. Retail sales tax is also levied on the charges made for the use of facilities to perform services such as cleaning. Thus, retail sales tax applies to the use of coin-operated laundry facilities.

Before 1993, coin-operated laundry facilities provided for the exclusive use of tenants in apartment houses, hotels, motels, rooming houses, and trailer or tourist camps were exempt from retail sales tax. In 1993 the Legislature repealed the exemption. Since coin-operated laundries provided for tenants' exclusive use became subject to retail sales tax, the business and occupation (B&O) tax classification also changed from service to retailing. As a result of the classification change, the B&O tax rate for these laundries was reduced from the service rate of 1.50 percent to the retailing rate of 0.471 percent.

An increase in the B&O tax rate that occurs as the result of a classification change might be considered an action that raises state revenue under Initiative 601. Voters approved Initiative 601 in November 1993. The initiative requires a two-thirds vote of each house of the Legislature for an action that raises revenue, plus a vote of the people if the state expenditures, including the new revenue, will exceed the limit provided in the initiative.

Summary of Substitute Bill: Charges made for tenants' exclusive use of coin-operated laundry facilities in an apartment house, rooming house, or mobile home park are removed from the definition of retail sale. As a result, these activities are no longer subject to the retail sales and use tax. The B&O tax classification also changes from retailing to service which increases the B&O tax rate. The B&O tax rate for these laundries rises from the retailing rate of 0.471 percent to the service rate of 1.50 percent.

Substitute Bill Compared to Original Bill: Language is updated in the underlying RCW section to reflect a change enacted in 1997. An effective date of July 1, 1998 is also added.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on July 1, 1998.

Testimony For: Coin-operated laundries provided for the exclusive use of tenants should be exempt from the sales tax. Washing clothes is a basic necessity of life, and removing the sales tax will benefit low income persons. Only residents of lower income housing projects and apartments do laundry at centrally located laundry facilities. Apartment residents who have higher incomes generally live in complexes where washers and dryers are located in each unit.

One of the great problems in administering a sales tax on coin-operated laundries is the fact that machines only accept quarters. Recovering the sales tax means increasing the price a full 25 cents.

Testimony Against: None.

Testified: Mark Blackbourne, Blackbourne Services (pro); Melanie Stewart, WA Association Route Operators (pro); and Doug Neyhart, Apartment Association of Seattle/King County (pro).