

HOUSE BILL ANALYSIS

HB 1173

Title: An act relating to exempting jail construction from sales and use taxes.

Brief Description: Exempting jail construction from sales and use taxes.

Sponsors: Representatives Cairnes, O'Brien, Ballasiotes, Barlean, Morris, DeBolt, Mielke, Campbell, Buck, Ericksen, Benson, Koster, Keiser, Cooper, G. Chandler, Mulliken, Dunshee, Stensen, Boldt, D. Schmidt, Dunn, Conway and Esser.

HOUSE COMMITTEE ON CRIMINAL JUSTICE AND CORRECTIONS

Staff: Yvonne Walker (786-7841).

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location. Washington law does not provide a general exemption from retail sales and use taxes for government agencies.

Generally, state and local governments pay sales tax on the full contract prices for their construction projects. The full contract price includes charges for construction materials, labor, and services rendered. Construction materials are subject to sales and use tax. Charges for labor and services rendered to construct, repair, or improve new or existing buildings are subject to sales tax.

Local governments are exempt from paying sales tax on one type of construction activity. Labor and services associated with a local government's road construction projects are exempt from sales tax, but road construction materials are subject to sales tax.

Summary:

Construction materials used in the construction of jails operated by local governments are exempted from sales and use tax. Charges for labor and services rendered in constructing jails for local governments are also exempted from sales tax.

Fiscal Note: Requested by the Finance Committee.

Effective Date: Ninety days after adjournment of session in which bill is passed.