

2850-S

Sponsor(s): House Committee on Finance (originally sponsored by Representatives Reardon, Schoesler, Scott, D. Schmidt, Tokuda, Skinner, Thomas, Clements, Dunshee, McIntire and Pennington)

Brief Description: Modifying the tax treatment of linen and uniform supply services.

HB 2850-S - DIGEST

(DIGEST AS PASSED LEGISLATURE)

Finds that linen and uniform supply services have been incorrectly sited for tax purposes and as a result, some companies that perform laundry activities outside the state of Washington have not been required to collect retail sales taxes upon linen and uniform supply services provided to Washington customers. This error in tax treatment provides an incentive for businesses to locate their laundry functions out-of-state. In-state businesses cannot compete if out-of-state competitors are not required to collect sales tax.

Declares that the purpose of this act is to clarify the taxable situs of linen and uniform supply services.

Declares that a retail sale of linen and uniform supply services shall be deemed to have occurred at the place of delivery to the customer. "Linen and uniform supply service" means the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and similar items, whether ownership of the item is in the person operating the linen and uniform supply service or in the customer. The term includes supply services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses.

VETO MESSAGE ON HB 2850-S

March 29, 2000

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval, Substitute House Bill No. 2850 entitled:

"AN ACT Relating to excise tax treatment of linen and uniform supply services;"

Substitute House Bill No. 2850 was intended to level the playing field between linen and uniform supply and cleaning services located in Washington and those located outside of our state. By defining a retail sale of linen and uniform supply services to occur at the place of delivery to the customer, the bill would have prevented out-of-state companies from avoiding sales tax collection obligations by picking up laundry in Washington, washing it in another state, and delivering it back to its Washington customers. Closing this tax loophole would have allowed Washington companies to compete on a level playing field

with out-of-state businesses.

Unfortunately, after the bill passed the legislature, a drafting error was found that would have applied the sales tax to any item of tangible personal property purchased in Washington for delivery out of state. The bill also has a constitutional infirmity because it amends a chapter of the Revised Code of Washington by reference to its title, without setting out the revised sections at full length.

It is my understanding that the legislature is aware of these problems and is already in the process of introducing corrected legislation closing this unfair tax loophole. I urge the legislature to do so as soon as possible.

For these reasons I have vetoed Substitute House Bill No. 2850 in its entirety.

Respectfully submitted,
Gary Locke
Governor