

SENATE BILL REPORT

SB 5381

As of February 7, 1995

Title: An act relating to sales and distribution of magazines by subscription.

Brief Description: Providing a sales tax exemption for certain sales of magazines by subscription.

Sponsors: Senators Loveland, Finkbeiner, Deccio, Bauer, Sellar, Snyder, West and Winsley.

Brief History:

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

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Background: The sales tax is paid 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.

Major items exempt from tax include food for human consumption, prescription drugs, motor vehicle fuel, utility services, professional services (e.g. medical, legal), certain business services (e.g. accounting, engineering), and items that become a component part of another product for sale.

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, including purchases by mail order. The United States Supreme Court has ruled that states cannot require out-of-state businesses to collect state sales or use taxes unless the business has a physical presence in the state. Therefore, tax is not generally collected on magazine subscription purchases by mail order.

Summary of Bill: The sale and distribution of magazines by subscription by nonprofit organizations and schools for fund raising is exempt from sales tax.

Appropriation: None.

Fiscal Note: Requested on January 23, 1995.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1995.

Testimony For: Schools raise funds by selling magazine subscriptions to provide more activities for kids. The tax has cut down sales because these sales are not competitive with mail-order and television marketing sales. Forty percent of the sales revenues go to the schools which is \$2.0 million per year.

Testimony Against: None.

Testified: Greg Hanon, Larry Easan, QSP Readers Digest (pro); Chuck Bodt, Kati Watt, Tyee Middle School (pro).