

FINAL BILL REPORT

SSB 6510

C 112 L 96

Synopsis as Enacted

Brief Description: Changing the tax status of persons engaged in the business of cleaning up for the United States, or its instrumentalities, radioactive waste and other byproducts of weapons production and nuclear research and development.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Loveland and Hale; by request of Governor Lowry).

Senate Committee on Ways & Means

Background: The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. 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.

In general, building contractors charge sales tax on the full price of construction, including labor and materials, because the constructing, altering, repairing, and improving of real or personal property for consumers is subject to sales tax. Construction for the federal government is exempt from tax because federal law requires it. However, state law defines the contractor as the consumer in constructing, repairing, decorating, or improving structures for the federal government and, therefore, the contractor pays sales tax on materials purchased and use tax on materials used in the construction whether or not the materials are incorporated into the structure.

Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the principal rates are:

Manufacturing, wholesaling, & extracting	0.506%
Retailing	0.471%
Services:	
- Business services	2.0%
- Financial services	1.6%
- Other activities	1.829%

Federal contractors are subject to a special B&O tax rate of 0.506 percent.

Summary: Persons engaged in the business of cleaning up radioactive waste and other byproducts of weapons production and nuclear research and development for the United States or its instrumentalities are defined as consumers for purposes of the retail sales tax. In addition, a special B&O tax rate of 0.471 percent is imposed on this activity.

Votes on Final Passage:

Senate	47	0
House	93	5

Effective: July 1, 1996