

SENATE BILL REPORT

SSB 6510

As Passed Senate, March 7, 1996

Title: An act relating to taxation 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.

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).

Brief History:

Committee Activity: Ways & Means: 1/30/96, 3/7/96 [DPS].
Passed Senate, 3/7/96, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6510 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

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 of Bill: 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: The Hanford facility has been taxed at the retailing rate because the activity was the production of fuel. The activity has changed to cleanup which is a service. Companies have been paying at retail. A change in the law is required to continue at the same rate. The rate would increase by 400 percent. This bill only changes the B&O tax rate. The companies have been paying the sales tax. The federal Department of Energy likes the clarity this bill provides. It provides fair and consistent treatment to all contractors at Hanford.

Testimony Against: None.

Testified: Len McComb, Ken Capek, Department of Revenue (pro); Alice Murphy, US Dept of Energy, Richland (pro).