

# SENATE BILL REPORT

## SB 5195

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As Passed Senate, March 10, 1997

**Title:** An act relating to the taxation of membership sales in discount programs.

**Brief Description:** Providing for taxation of membership sales in discount programs.

**Sponsors:** Senators Deccio and Newhouse; by request of Department of Revenue.

**Brief History:**

**Committee Activity:** Ways & Means: 2/13/97, 2/19/97 [DP].  
Passed Senate, 3/10/97, 47-1.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Hochstatter, Kohl, Long, McDonald, Roach, Schow, Sheldon, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** The retail sales tax and the business and occupation (B&O) tax use the same definition of retail sale.

The B&O tax is Washington's major business tax. This tax is imposed on the gross receipts of business activities conducted within the state. There are several different rates under the B&O tax. There are no deductions for the costs of doing business. Although there are several different rates, on July 1, 1997 the principal rates will be as follows:

Manufacturing/wholesaling/extracting	0.484%
Retailing	0.471%
Services	
- Business Services	2.0%
- Financial Services	1.6%
- Other activities	1.75%

The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total rate is between 7 percent and 8.2 percent, depending on the location.

Currently, the B&O service rate is applied to the gross receipts of businesses that develop programs that entitle members to discounts on the purchase of products or service from participating vendors.

**Summary of Bill:** A new B&O rate (.471%) is created for businesses that sell memberships in a qualifying discount program.– A B&O exemption is provided for sales of memberships when the membership materials are delivered out of state.

A retail sales and use tax exemption is provided for the sales and use of membership materials.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** This bill will keep a successful company and good paying jobs in the state. Without this bill, this company will be forced to move to another state.

**Testimony Against:** None.

**Testified:** Senator Deccio, prime sponsor (pro).

**House Amendment(s):** The sales tax exemption on purchases is removed, and the B&O rate is set at 1.5 percent. The B&O exemption on out-of-state sales remains in the bill.