

# FINAL BILL REPORT

## SSB 5999

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### C 476 L 05

Synopsis as Enacted

**Brief Description:** Exempting service contracts to administer parking and business improvement areas from excise taxation.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Prentice and Brown).

#### **Senate Committee on Ways & Means**

#### **House Committee on Finance**

**Background:** The sales tax is paid on each retail sale of most articles of tangible personal property and some 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. The state imposes a general tax of 6.5 percent of the selling price in the case of the sales tax and of the value of the article used in the case of the use tax. Cities, counties, and other taxing districts may impose sales and use taxes at various rates. The total state and local sales and use tax rates imposed are between 7 percent and 8.9 percent, depending on the location.

The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business. Persons engaged in retailing collect the sales tax from consumers and pay the retailing B&O tax at the rate of 0.471 percent. Persons performing services do not collect the sales tax and pay the service B&O tax at the rate of 1.5 percent.

Cities may also impose B&O taxes. With some exceptions, cities may adopt their own tax exemptions, credits, deductions, and other preferences, as well as tax classifications and tax rates.

Counties, cities, and towns may create parking and business improvement areas for the: (1) construction, acquisition or maintenance of parking facilities; (2) decoration of public areas; (3) promotion of public events in public places in the area; (4) furnishing of music in any public place in the area; (5) maintenance and security of common public areas; and (6) management, planning and promotion of the area, including the promotion of retail trade activities in the area. The activities are financed through a special assessment that is imposed on businesses and multifamily residential and mixed use projects in the area. The local government may contract with a chamber of commerce or other similar business association to administer the operation of a parking and business improvement area.

**Summary:** State and city B&O taxes do not apply to amounts received by a chamber of commerce or similar business association for administering the operation of a parking and business improvement area.

**Votes on Final Passage:**

Senate	45	0
House	95	2

**Effective:** July 24, 2005