

SENATE BILL REPORT

SB 6757

As of January 27, 2006

Title: An act relating to reducing the taxation of physical fitness services.

Brief Description: Reducing taxes imposed on the provision of physical fitness services.

Sponsors: Senator Benton.

Brief History:

Committee Activity: Ways & Means: 1/30/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax base includes goods and certain services, including physical fitness services.

The Business and Occupation (B&O) tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. Different tax rates apply for various classifications of business activities and firms may be subject to one or more rates, depending upon the sources of income. The tax rate is 0.471 percent for the activities of firms defined as retailing, which includes physical fitness services. Firms engaged in service activities generally are subject to a 1.5 percent B&O rate.

All retail goods and services are included in the tax base for the retail B&O classification and for retail sales and use taxes, unless specifically exempted. In 1993, the Legislature broadened the state and local retail sales tax base to include certain services, including physical fitness services. The 1993 change imposed state and local retail sales and use taxes on charges made for such services, and reduced the B&O tax rate for businesses providing physical fitness services from 1.5 percent to 0.471 percent.

Physical fitness services are defined as activities where the primary focus is exercise and includes exercise classes, provision of exercise equipment, and provision of personal trainers. Physical fitness services do not include instructional lessons, such as those for tennis, golf, martial arts, and other activities where the primary focus is instruction.

Summary of Bill: The definition of "retail sale" is modified to exclude physical fitness services. The change exempts physical fitness services from the retail sales and use taxes. In addition, a new B&O rate is provided for physical fitness services at a rate of 0.138 percent.

Appropriation: None.

Fiscal Note: Requested on January 25, 2006.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.