

# FINAL BILL REPORT

## SSB 6781

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### FULL VETO

**Brief Description:** Modifying the excise taxation of environmental remediation services.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Pflug, Fraser, Parlette, Shin and Schoesler).

**Senate Committee on Ways & Means**

**House Committee on Finance**

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

Washington's major business tax is the business and occupation (B&O) tax. The 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. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity.

In 1998, the Legislature enacted special provisions for the taxation of hazardous waste cleanup projects, which expired in 2003. The retail sales tax did not apply to the sale of labor or services for environmental remedial action. The business and occupation tax rate for businesses performing environmental remedial actions was set at the retailing rate of 0.471 percent.

Activities related to these environmental cleanups are taxed according to traditional B&O tax classifications. Consulting activity, such as site evaluation or monitoring, not related to construction activity would be taxed under the service and other classification at a rate of 1.5 percent. The cleanup activity would be taxed like other construction activity; retail sales tax would be collected from the consumer and the contractor would pay B&O tax at the retailing rate of 0.471 percent.

**Summary:** The retail sales tax does not apply to the sale of labor or services for environmental remedial action. The business and occupation tax rate for businesses performing environmental remedial actions is set at the retailing rate of 0.471 percent.

"Environmental remedial action" includes services related to identification, investigation, or cleanup of hazardous substances. Environmental remedial actions must be consistent with the state Model Toxics Control Act, or other applicable laws.

The provisions of the bill expire July 1, 2010.

**Votes on Final Passage:**

Senate 48 0

