
Finance Committee

HB 1609

Brief Description: Excluding self-service laundry from the definition of retail sale for excise tax purposes.

Sponsors: Representatives Grant, Walsh, Lovick, Clements, Quall, Jarrett, Murray, DeBolt, Clibborn, Morris, O'Brien, McCoy, Green, Ericksen, Kessler, Hunt, Williams, Chase, Linville, Sells, Armstrong, P. Sullivan, Haigh and Santos.

Brief Summary of Bill

- Self-service laundry facilities are exempted from retail sales and use taxes, and are reclassified under the business and occupation tax from retail to service establishments.

Hearing Date: 3/3/05

Staff: Mark Matteson (786-7145).

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 charges made for the use of facilities to perform services such as cleaning, which includes self-service or coin-operated laundry services. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent; currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state that were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

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 rate, depending upon the sources of income. The tax rate is 0.471 percent for firms engaged in retailing, including self-service laundry services. Firms engaged in service activities, generally, are subject to a 1.5 percent B&O rate.

Coin-operated laundry facility services offered in apartment buildings for the exclusive use of tenants are exempt from retail sales and use taxes and are subject to the B&O service tax classification.

Summary of Bill:

The definition of retail sale in the B&O tax statute is modified, removing the specific exemption for coin-operated laundry facilities offered in apartment buildings for the exclusive use of tenants, and providing a broader exemption for self-service laundry facilities as a whole. The change exempts all self-service laundry facilities from retail sales and use taxes. The change also modifies the B&O tax classification for all such facilities from retail to service, increasing the applicable B&O rate from 0.471 percent to 1.5 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2005.