

SENATE BILL REPORT

SB 5911

As of March 3, 2005

Title: An act relating to excluding self-service laundry from the definition of retail sale for excise tax purposes.

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

Sponsors: Senators Berkey, Esser, Doumit, McCaslin, Hewitt, Delvin, Thibaudeau, Kohl-Welles and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 3/1/05.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The retail sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. The use tax is imposed on the use of articles of tangible personal property, the acquisition of which was not subject to sales tax.

Retail sale includes the installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property is subject to tax, including coin-operated laundry facilities, but excludes charges for the use of coin-operated laundry facilities in an apartment house, rooming house, or mobile home park for the exclusive use of the tenants thereof and sales of laundry service to members by nonprofit associations composed exclusively of nonprofit hospitals.

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.

Summary of Bill: The exclusion from the definition of retail sale of charges made for the use of coin-operated laundry facilities in an apartment house, rooming house, or mobile home park for the exclusive use of the tenants thereof is extended to all self-service laundry facilities. As a result of this change, these activities are no longer subject to the retail sales and use tax, and the B&O tax classification changes from retailing, which is taxed at a rate of 0.471 percent, to service, which is taxed at a rate of 1.5 percent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This is an exemption for self-service facilities used by low-income persons. Low-income persons can use vouchers at these facilities. The exemption would reduce laundry costs for these people. Twenty-five cents means a lot to these people. The stand-alone coin-operation laundry business is dying but critical to the most disadvantaged citizens. Since 1994, there has been a 35 percent decline in taxable sales in this industry and the number of businesses declined 41 percent. In the last seven years, 284 laundries have been closed.

Testimony Against: None.

Who Testified: PRO: Senator Berkey, prime sponsor; Greg Tompkins, WA State Coin Laundry Assoc., Store owner; Dave Ducharme, WA Coin Laundry Assn.