SENATE BILL REPORT
SB 6297

As of February 4, 2026

Title: An act relating to making temporary staffing services provided to nonprofit behavioral health entities exempt from retail sales tax.

Brief Description: Making temporary staffing services provided to nonprofit behavioral health entities exempt from retail sales tax.

Sponsors: Senators Muzzall, Dozier and Wagoner.

Brief History:
Committee Activity: Ways & Means: 2/05/26.

Brief Summary of Bill

- Excludes temporary staffing services provided to nonprofit behavioral health entities from the definition a retail sale subject to retail sales tax and retailing business and occupation tax.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Business and Occupation Tax. 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. Revenues are deposited in the state general fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. The general B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5, 1.75, or 2.1 percent for services and for activities not classified elsewhere—depending on taxable income. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 4.1 percent, depending on the location.

Retail Services. Businesses that sell intangible products to customers are subject to B&O tax under the services and other classification. Customers do not pay retail sales and use tax on most services. A select number of services are subject to retail sales and use tax, such as construction services, personal training at athletic and fitness facilities, extended warranties and maintenance agreements, alarm monitoring services, and vehicle towing, to name a few. If the service is taxable as a retail sale, then the business activity is subject to retailing B&O tax.

Newly Enacted Retail Services. Pursuant to ESSB 5814, beginning October 1, 2025, the following select services are classified as retail services and subject to retail sales tax and retailing B&O tax:

- custom software and customization of prewritten software;
- custom website design, support, and development services;
- information technology related training services, technical support, and other services;
- investigation, security services, security monitoring, armored car services, but excluding locksmith services;
- temporary staffing, except for temporary staff provided at hospitals;
- advertising services, but excluding web hosting services, domain name registration, and services rendered in respect to newspapers, printing or publishing, certain radio and television broadcasting, out-of-home advertising, including billboards, street furniture advertising, transit advertising, place-based advertising, such as in-store displays or point-of-sale advertising, dynamic or static signage at live events, naming rights, and fixed signage advertising; and
- live presentations.

The following Digital Automated Services are also classified as retail services and subject to retail sales tax and retailing B&O tax:

- any service that primarily involves the application of human effort by the seller;
- live presentations;
- advertising services; and
- digital processing services.

The sale of services between members of an affiliated group are not considered a retail

service for purposes of retail sales tax and retailing B&O tax.

Tax Preference Performance Statement. All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternative expiration date is not provided in the legislation.

Summary of Bill: Temporary staffing services provided to nonprofit behavioral health entities is excluded from the definition of a retail sale. As a result, retail sales and use tax do not apply to the sale of temporary staffing services to nonprofit behavior health entities. The gross income derived from the sale of temporary staffing services to nonprofit behavioral health entities is subject to B&O tax under the services and other activities classification, rather than the retailing B&O tax classification.

"Temporary staffing services" is defined as a service that provides workers to other businesses, except licensed hospitals and nonprofit behavioral health entities, for limited time periods on a contract or fee basis, and are services provided by a person:

- recruiting and hiring its own employees;
- finding other organizations that need the services of those employees;
- assigning those employees on a temporary basis to perform work at, services for, support, or supplement other organizations' workforces, under the direction and supervision of the customer; and
- customarily attempting to reassign the employees to other organizations when they finish each assignment.

The act is not subject to tax preference performance review or automatic expiration.

Appropriation: None.

Fiscal Note: Requested on January 23, 2026.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.