

SENATE BILL REPORT

SB 6458

As of February 9, 1998

Title: An act relating to providing a tax exemption for the state share of labor and services on state roads and high capacity transportation systems construction.

Brief Description: Providing a tax exemption for the state share of labor and services on state roads and high capacity transportation systems construction.

Sponsors: Senators Prince, Haugen, Wood, Patterson, Kline, Horn, Goings and Oke; by request of Governor Locke.

Brief History:

Committee Activity: Transportation: 2/9/98.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Gary Lebow (7304)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply, making the total rate between 7 percent and 8.6 percent depending on the location.

Sales tax applies when items are purchased at retail in the state. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used.

The sales tax is applied to the full contract amount, including labor, on state projects, including improvements made to the transportation system. Sales tax is exempt on the labor and service portion of contracts that improve transportation facilities owned by a political subdivision or municipal corporation.

Summary of Bill: Labor and services used for the improvement of state roads or regional transit authority high capacity transportation system are exempt from the state imposed sales and use taxes.

Tangible personal property used in the construction of these improvements is exempt from the sales tax and subject to the use tax.

The Department of Revenue is authorized to develop and institute a tax reporting method to allow the department and the taxpayer to implement this act. Taxpayers and sellers are required to keep records in a form directed by the Department of Revenue to distinguish

between taxable and exempt transactions. The Department of Revenue may develop an exemption certificate to be used by the contractor in making sales tax exempt purchases.

Appropriation: None.

Fiscal Note: Requested on February 9, 1998.

Effective Date: The bill takes effect on July 1, 1998.