

FINAL BILL REPORT

HB 1385

C 186 L 01

Synopsis as Enacted

Brief Description: Clarifying the taxable situs and nature of linen and uniform supply services.

Sponsors: By Representatives Reardon and Pennington; by request of Department of Revenue.

House Committee on Finance
Senate Committee on Ways & Means

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services, including cleaning of tangible personal property, such as in the case of laundry supply and uniform services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service when purchased at retail in-state. In addition, local governments may impose local sales taxes for a variety of purposes. Local rates vary from 0.5 percent to 2.3 percent, depending on location. Sales taxes are collected by the seller from the purchaser and remitted to the Department of Revenue.

According to the Department of Revenue's rules, the taxability of linen and uniform supply services under the retail sales tax depends on the location of the laundering activity and not the location of delivery to the customer. Sales tax applies to linen and uniform supply services sold to Washington residents if the laundering activity and delivery take place in Washington. In contrast, if the delivery to the customer takes place in Washington, but the laundering activity takes place out-of-state, no sales tax is collected. In the 2000 session, the Legislature introduced HB 2850 which provided that a retail sale of linen and uniform supply services occurs at the place of delivery to the customer. The Legislature passed the bill, which the Governor vetoed, citing a drafting error that would have applied the retail sales tax to any item of tangible personal property purchased in Washington for delivery out-of-state.

Summary:

The retail sale of linen and uniform supply services is deemed to occur at the place of delivery to the customer. Linen and uniform supply services is defined as the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, clean room apparel, mats, rugs, and similar items, regardless of whether the linen business or its customer owns the item. The definition includes supply services

operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses.

Votes on Final Passage:

House 98 0

Senate 43 4

Effective: July 1, 2001