

Finance

HB 1385

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

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

Brief Summary of Bill

- *A sale of linen and uniform supply services is deemed to occur at the place of delivery to the customer for the purposes of retail sales tax incidence.*

Hearing Date: *2/6/01*

Staff: *Mark Matteson (786-7145).*

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 sales taxes apply. The total tax rate is between 7 percent and 8.8 percent, depending on location. Sales taxes are collected by the seller from the purchaser and remitted to the department.

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 due to Washington residents. In the 2000 session, the Legislature passed SHB 2850, which had been intended originally to define a retail sale of linen and uniform supply services to occur at the place of delivery to the customer. The Governor vetoed the bill, 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 of Bill:

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" means 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 01, 2001.