

## Extend sales tax to certain consumer services

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### Description

This proposal would define the following services as retail sales:

- Personal care services, such as hair, nail, and skin care, including hair replacement and removal, and non-prescription massage services;
- Instructional lessons;
- Satellite and cable services;
- Service fees related to travel arrangements and admission to non-sporting events;
- Travel agent commissions; and
- Tax preparation services.

This would cause the sale of these services to be:

- Taxed at the retailing B&O tax rate of 0.471 percent; and
- Subject to sales tax.

This proposal assumes inclusion of certain broad categories of services. This may result in sales tax imposition in situations that are not readily apparent; conversely, it may not be readily apparent that certain services are excluded. We expect that these descriptions will be fine-tuned in the drafting process. Any changes or limitations to which services would be included will affect the revenue impact and the Department's costs to implement.

**Note:** Certain services, such as hair care, may be removed from this proposal if desired.

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### Current Law

Under current law, travel agent commissions are subject to the preferential B&O tax rate of 0.275%. All other activities listed are subject to the service and other activities B&O tax rate of 1.5%.

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**Extend sales tax to certain consumer services, Continued**

**Revenue Impact**

General Fund Impacts (\$ millions):

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
26,400	\$ -	\$ 129.3	\$ 129.3	\$ 143.2	\$ 150.5	\$ 293.7

Notes:

- The revenues estimated assume broad inclusion of business services. Any changes or limitations to included services will result in reduced revenues.
- Estimates assume a July 1, 2016 effective date, representing 11 months of collections for FY 2017.
- Estimates reflect the November 2015 Economic & Revenue Forecast Council revenue forecast.

**Expenditure Impact**

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
\$ 78,700	\$ 366,800	\$ 445,500	\$ 375,900	\$ 372,800	\$ 748,700

Notes:

- The expenditure estimates assume broad inclusion of business services. Any changes or limitations to included services could result in a change to expenditures.
- FY 2016 costs represent initial implementation costs and may include items such as system changes, tax return modifications, and taxpayer education.