

## **HB 3191 - Strike section that would impose sales tax on Janitorial Services**

Imposing the sales tax on Janitorial Services would reduce hours, pay, standard of living and cost many janitorial jobs across the state. Imposing this tax would hurt those most in need of these full-time jobs.

Why: Because increasing the cost of Janitorial Services by as much as 9.5% simply cannot and will not be passed on to customers in today's real estate market.

The only way to pay this new tax would come at the cost of reduced hours worked and the loss of many of the 10,000 janitorial jobs statewide.

### **Current status of Commercial real estate:**

- ⇒ Office asset values have declined 30% in the past 24 months [30%]
- ⇒ Office rents have declined 20-25% in the past 18 months [20-25%]
- ⇒ Office vacancies have risen to between 12-20% across the state [12-20%]
- ⇒ Office vacancies in Seattle are at 20% or one fifth of the market – one fifth of all office space is without businesses and tenants

With these economic conditions the market will not allow any kind of pass through of a new sales tax on janitorial services. In fact, landlords are already granting the forgiveness of operating expenses and rent concession to keep tenants in buildings. Landlords have already sought contract reductions and concessions from service vendors, many of which have had their operating profits significantly reduced and are struggling to survive until economic conditions improve.

1. The Tax Preference Audit Review Commission recommended leaving the tax exemption in place precisely because of anticipated job loss
2. SEIU Local 6 also opposes this proposal as it would cost jobs and reduce hours
3. There are some 10,000+ janitorial jobs in Washington State – approximately half are smaller Mom and pop operations, this tax would devastate them and certainly would put some out of business
4. A real life example: Last night a building manager related this example: A 9.5% tax on janitorial services at my building – 750,000 square feet (\$100,000 per month in janitorial costs) would be \$114,000 in additional expense or \$.15 psf. In order to cover this tax and maintain operating expenses I would need to cut 3 janitorial service jobs. With the property tax rate already going up significantly along with significant increase in the cost of utilities and green initiatives commercial properties just can't withstand another increase, we would have to cut jobs.
5. The jobs lost would be at the expense of those most in need of these positions in our community
6. Implementing sales tax on janitorial service would cause some property owners to cancel contracts and take the janitorial work in-house
7. The new added cost to contract cleaning would raise costs to government contracts as well
8. The job loss and contract reductions resulting from this tax will result in a loss of B & O tax receipts to local and state government mitigating any new tax gain

**About BOMA:** BOMA's 450 member companies employ over 40,000 individuals who either own or manage over 70 million square feet of commercial real estate in Washington, or provide goods and services to the commercial real estate industry. BOMA buildings provide workplaces for more than 350,000 workers.

Contact: Rod Kauffman, BOMA 206-622-8924