



TAXATION OF PROFESSIONAL SERVICES *PLEASE OPPOSE*

KEY POINTS

- *A sales tax on design services puts the public health and safety at risk because perspective clients will seek to cut cost by hiring unlicensed non-professionals*
- *Taxing design services makes Washington State architects less competitive*
- *A service tax targets small firms*
- *Sales tax on design services promotes cost cutting through the use of old plans which discourages new architecture that is better for the environment*

The AIA|WA Position

The AIA believes that taxing architectural services would significantly hurt the design industry by encouraging clients to turn to unlicensed designers for services, seriously eroding the protection of the public's health and safety.

Changes to the state's tax structure would have a significant impact on architectural firms by hampering their ability to compete. A tax on professional services would hurt small firms the most and could put many firms out of business.

This Would be a Tax on the Public Health and Safety

Generally, the purchase of design services is not a discretionary purchase, but rather is required to comply with design and building codes. Sales taxes will increase the total cost of design services, and the added cost will be paid by clients and/or users of capitol projects. If clients turn to unlicensed designers to cut costs, or good firms are put out of business because they can't compete, public safety will be in jeopardy.

Taxing Professional Services Makes Poor Economic Sense

From time-to-time, the Legislature seeks out a new revenue source and gives serious consideration to collecting a sales tax on professional services. On the surface, "broadening" the tax base to include professional services seems a simple option. But taxing professional services - especially architectural services - would place disproportionate burden on smaller firms, driving them out of business and further eroding the economy.

Small to medium in-state firms, confined by the tax, have a competitive disadvantage compared to out-of-state firms that are not subject to the tax. Large or multi-state firms can usually outsource projects to offices in other states; small to medium Washington firms cannot.

In order to protect the public safety the state would have to set up a means of enforcement. The state would also have additional costs associated with the collection of the new tax. The predicted increased state revenue raised by the tax would be offset by the cost of enforcement and collection.

This Would Negatively Impact the Quality of Washington Buildings

A tax on professional services would encourage the reuse of old plans to cut costs; this would **decrease** new and innovative building designs **that benefit the environment and cut energy costs**. In a time when the US is trying to reduce its dependence on foreign oil, and decrease the human impact on the environment, this a tax on professional services will stifle new innovations that help the state and the nation meet their goals.

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