

Tax Facts

Washington State Department of Revenue

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New Industry-specific Tax Guides

The following industry tax guides were recently published by the Department to help businesses better understand Washington State taxes:

- ◆ Beauticians
- ◆ Restaurants
- ◆ Taverns
- ◆ Veterinarians

Other industry-specific publications that are available include: Child Care Operators, Horse Industry, Auto Dealers' Manual, Vessel Brokers and Dealers, and Farm Use Tax. You may request a copy of the guides or other publications using the Department's *Automated Services* – see page 11. ▲

Revenue Launches Redesigned Web Site

In November, the Department of Revenue launched its redesigned web site. The site is still located at <http://dor.wa.gov> and contains the same valuable information, but looks quite different.

In addition to the new look, the web site is more user friendly and easier to navigate. It has several new features such as alphabetical and categorical listings of forms and publications, a new "Featured Links" area that takes users from the home page directly to popular sections, and "Tax Topics," which organizes information into specific tax categories.

Under "Tax Topics," click on the "Business" page to access forms, publications, workshop schedules, answers to frequently asked questions, and information on completing and filing your tax return. You can also update your account information or close your account online.



The web site gives you another reliable option for quickly accessing tax information 24 hours a day, 7 days a week. Although the new site is up and running, it will continue to be enhanced throughout the next several months. We welcome your comments at communications@dor.wa.gov. ▲

If You Need Assistance in January . . .

More than 300,000 businesses will file excise tax returns in the next few weeks. To help meet the high demand for service during this busy time, the Department of Revenue offers many automated services. Check out our *Automated Services* on page 11. ▲

Helpful Hints for Completing the Annual Tax Return

Due date

The legal due date for filing the 2001 annual Combined Excise Tax Return is January 31, 2002. Be sure to mail your return on or before that date or deliver the return to any one of the Department's 12 field offices listed on the back page of this publication.

No business activity or no tax due

You must file the tax return even if you did not have any business activity and do not owe any tax. If you had no business activity, please check the "No Business Activity" box above the signature line. You may also file a "no business activity" return by telephone (see page 11).

Local sales and use tax changes

During the past year, a few local jurisdictions increased their local sales tax rates. Be sure to confirm the correct location and tax rates before reporting retail sales or use tax. For assistance, please refer to the local sales and use tax sections of the instructions for completing the return.

Small Business B&O Tax Credit

Be sure to take the Small Business B&O Tax Credit if the amount of *business and occupation* tax you owe for the full year is less than \$840. To determine the correct amount of credit, refer to the chart included with the tax return.

Sign the tax return

Be sure to sign and date the return and include a daytime phone number. Please use the self-addressed envelope provided when mailing the tax return.

Make a copy

Be sure to make a photocopy of the tax return for your records.



Improvements to Revenue's Electronic Filing (ELF) Service

Credit card payment option offered

ELF filers can now use American Express credit cards. Please note, the credit card company charges a convenience fee for using this service. Taxpayers continue to have the option of paying by electronic funds transfer or check.

Tax classifications added

Beginning with the annual 2001 tax return, businesses that report under the following classifications can use Revenue's Electronic Filing service:

- ◆ Extracting and Extracting for Hire.
- ◆ Slaughtering, Breaking and Processing Perishable Meat - Wholesale, Manufacturing Wheat into Flour, Soybean & Canola Processing, Raw Seafood Products.
- ◆ Manufacturing Fresh Fruits and Vegetables, Splitting or Processing of Dried Peas, Prescription Drug Warehousing, Manufacturing Dairy Products.
- ◆ Processing for Hire, Printing and Publishing.
- ◆ Manufacturing.

Payment voucher introduced

For taxpayers who use ELF and pay by check, the system now has a payment voucher that can be printed and mailed with the check. This replaces the need to mail a paper tax return. If you are unable to print the voucher, you can request one by mail at 1-877-FILE-ELF (1-877-345-3353).

ELF tutorial developed

An Electronic Filing tutorial that shows how the system works has been added to the ELF home page at <http://dor.wa.gov/elf/elfcontent.asp>. If you aren't already filing your taxes electronically, check it out and see how easy it is to use ELF.

For more information on filing your taxes electronically, please visit <http://dor.wa.gov/elf/elfcontent.asp> or call 1-800-647-7706.



New Special Notices

The following *Special Notices* were issued in 2001. These notices discuss current issues, including new legislation.

Tax Reporting Changes for Linen and Uniform Supply Services - *Issued July 1, 2001*

Tax Changes Relating to Vehicle Dealers - *Issued July 1, 2001*

Sales and Use Tax Exemption to Farmers and Veterinarians for Animal Pharmaceuticals - *Issued August 1, 2001*

The Tax Application for Tree and/or Stump Removal from Existing Orchards - *Issued August 6, 2001*

Public Utility Tax Deductions for Water Conservation Measures - *Issued August 7, 2001*

Tax Application Change on the Transfer of Used Park Model Trailers - *Issued August 16, 2001*

Tax Changes for Manufacturers of Dairy Products - *Issued August 21, 2001*

Certain Vendors to Pay Use Tax Directly to the Department of Revenue - *Issued August 22, 2001*

Reporting Income from Pull-tabs and Punch Boards - *Issued October 9, 2001*

Use Tax Reminder for Veterinarians - *Issued October 12, 2001*

Update – Sales and Use Tax Exemption for Animal Pharmaceuticals Sold to Farmers or Veterinarians - *Issued October 12, 2001*

Special notices are available for viewing and downloading from the Department's web site at, http://www.dor.wa.gov/Publications/pubs_sn_main.asp. You may also use the Department's automated phone system to request a copy to be mailed or faxed to you - see *Automated Services* on page 11. ▲

Taxpedia offers comprehensive online access to state tax information

Comprehensive state tax information is now only a mouse click away. Taxpedia is a one-stop source for tax-related laws, rules, advisories, administrative decisions, and court cases. It's available at <http://taxpedia.dor.wa.gov>. The Department of Revenue designed this service so businesses, tax practitioners, and the general public can access pertinent tax information in one place.

Taxpedia accesses nearly 11,000 documents in several databases relevant to taxes. This includes the Revised Code of Washington (RCW), Washington Administrative Code (WAC), advisories (ETA) and rulings issued by the Department, administrative decisions by the Washington State Board of Tax Appeals, and cases decided by Washington's appellate courts.



Do You Lease Public Property?

Persons or businesses that lease or occupy publicly-owned real or personal property are subject to leasehold excise tax. The tax applies in lieu of county property tax. Public property is property owned by the federal government, state of Washington, counties, school districts, cities and other municipal corporations. The amount subject to tax is generally the amount of rent paid to the lessor. Also included in the taxable amount are certain expenses and improvements. Generally, the tax is collected by the public entity leasing property to private lessees. However, lessees of federal property must report directly to the Department of Revenue. For more information regarding leasehold excise tax, contact Kathy Forsberg at (360) 586-5190. ▲



2001 LEGISLATIVE TAX CHANGES



The 2001 Legislature made several changes to taxes and programs administered by the Department of Revenue. The following summary is provided to help you understand and comply with the new tax laws.

Excise Tax Changes



Business & occupation (B&O) tax exemption for wholesale vehicle sales – Substitute House Bill (SHB)

1119 (Chapter 258, Laws of 2001) provides an exemption from the B&O tax for amounts received by motor vehicle dealers for the wholesale sales of used motor vehicles at auction to other dealers.

The legislation also provides an exemption from B&O tax on sales between new car dealers when the sale enables the dealers to adjust their inventory levels. To qualify, the amount paid by the purchasing dealer cannot exceed the amount paid by the selling dealer in the acquisition of the vehicle. However, the selling dealer may add reasonable expenses of preparing the vehicle for sale.

The bill designates a “courtesy dealer” to be the agent of a selling dealer when a new motor vehicle is sold to a Washington customer and delivered through the courtesy dealer located in this state. Unless the selling dealer is registered, the courtesy dealer must report and pay the B&O tax on the transaction. The bill authorizes the courtesy dealer to withhold an amount equal to the selling dealer’s B&O tax from the amount paid to that dealer. *Effective July 1, 2001.*



Certain vendors pay use tax directly to the Department – House Bill (HB) 1706 (Chapter 188, Laws of 2001) authorizes the Department to permit certain businesses (purchasers) to pay use tax directly to the Department rather than sales tax to their vendors.

Eligible businesses are required to pay their Combined Excise Tax Returns electronically (EFT) and must purchase more than \$10 million of taxable goods per calendar year.

The bill also changes the measure of the use tax for direct payers to the retail selling price, which includes freight and any other charges added to the price of the goods. Purchases for resale, purchases of meals, motor vehicles, amusement and recreational services, towing charges, hotels, and telephone charges are not eligible for direct pay. *Effective August 1, 2001.*

Sales tax exemption for motorcycles purchased for training – Substitute Senate Bill (SSB) 5114 (Chapter 285, Laws of 2001) exempts the purchase of motorcycles for use in the Department of Licensing motorcycle operator training and education programs as provided by RCW 46.20.520. *Effective July 22, 2001.*

Use tax exemption for motorcycles used for training – House Bill (HB) 1582 (Chapter 121, Laws of 2001) exempts the use of motorcycles loaned to the Department of Licensing or its contractors to exclusively provide motorcycle operator training and education as provided by RCW 46.20.520. *Effective July 22, 2001.*

Sales tax exemption, items prescribed by podiatrists – House Bill (HB) 1116 (Chapter 75, laws of 2001) expands the retail sales and use tax exemption to orthotic devices prescribed by a licensed podiatric physician or surgeon. *Effective April 19, 2001.*



Used park model trailers subject to real estate excise tax – Substitute House Bill (SHB) 2184 (Chapter 282, Laws of 2001) provides the same tax treatment for used park model trailers as that given to used mobile homes. Park model trailers are semi-permanently sited travel trailers that do not exceed 400 square feet in size. *Effective August 1, 2001.*

Sales tax exemption for conifer seeds – Substitute Senate Bill (SSB) 5484 (Chapter 129, Laws of 2001) provides a retail sales tax exemption for sales of conifer seeds that are immediately placed into freezer storage operated by sellers for use in growing timber outside Washington. There is a corresponding use tax exemption.

The law provides for deferred sales tax liability for persons who do not know at the time of purchase whether the seeds will be used inside or outside the state. A deduction is also provided in cases where the sales tax was paid on seeds that were used for growing timber outside the state. *Effective July 22, 2001.*

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Sales/use tax exemption for dairy farmers

– Second Substitute Senate Bill (2SSB) 5947 (Chapter 18, Laws of 2001 2nd Special Session) provides milk producers who have a certified dairy nutrient management plan a sales and use tax exemption for services rendered to operate, repair, clean, alter or improve dairy nutrient management equipment and facilities. Ingredients or components of the equipment and facilities are also exempt. “Dairy nutrient management equipment and facilities” means machinery, equipment, and structures used to handle and treat dairy manure.

The bill also provides a sales and use tax exemption to persons who establish or operate an anaerobic digester to treat dairy manure. The exemption applies to services rendered to install, construct, repair, clean, alter, or improve an anaerobic digester and to ingredients or components of the anaerobic digester. “Anaerobic digester” means a facility that processes manure from cattle into biogas and dried manure using microorganisms in a decomposition process within a closed, oxygen-free container. *Effective July 13, 2001.*



Sales/use tax exemption for animal pharmaceuticals –

Substitute Senate Bill (SSB) 5496 (Chapter 17, Laws of 2001 2nd Special Session) provides a sales and use tax exemption to farmers and veterinarians for animal pharmaceuticals. The pharmaceuticals must be administered to animals that are raised by farmers for the purpose of producing agricultural products for sale. The pharmaceuticals must also be approved by the USDA or FDA. To qualify for the exemption, buyers must provide exemption certificates to sellers. *Effective August 1, 2001.*

Excise tax simplification, changes/clarifications – House Bill (HB) 1361 (Chapter 320, Laws of 2001) provides that applications for the environmental remedial action tax incentive programs are subject to public disclosure. The bill also changes or clarifies the following:

- ◆ Charges for licensing canned software to end users are not taxable under the royalties B&O tax classification. Such charges are retail sales.
- ◆ Charges for solid waste collection are subject to “service” B&O tax and are not subject to the public utility tax. The solid waste collection tax still applies to such charges under Chapter 82.18 RCW.
- ◆ The taxable event for enhanced food fish is the landing of the enhanced food fish. Also the possession of pre-cultured “seeds” is not a taxable event for purposes of the tax on enhanced food fish.
- ◆ Allows taxpayers to carry over the B&O tax credit for creating qualified employment positions until the credit is fully used (the credit cannot create a refund). The recipients of the B&O tax credit must file reports with the Department by January 31 following the year after the application for the incentive was allowed.
- ◆ Requires purchasers of privately owned timber in excess of 200,000 board feet to file reports describing the particulars of purchases with the Department by the end of the month following the purchases.



B&O rate reduction for manufacturers of dairy products/sales and use tax exemption for chicken farmers –

Engrossed Substitute House Bill (ESHB) 2138 (Chapter 25, Laws of 2001 2nd Special Session) provides a B&O tax rate reduction for persons who manufacture dairy products from raw materials. The lower tax rate is intended for persons who manufacture products such as milk (fluid milk, dehydrated milk, or milk by-products), cheese, yogurt, ice cream, butter, whey, etc.

This bill also provides a sales and use tax exemption for the purchase and use of propane and natural gas by farmers when used exclusively to heat structures housing chickens. Bedding materials used to accumulate and facilitate the removal of chicken manure also qualify for exemption. The chickens must be sold as agricultural products. To qualify for exemption, buyers must provide exemption certificates to the sellers. *Effective September 20, 2001.*

B&O tax exemption for hospitals – Substitute House Bill (SHB) 1624 (Chapter 23, Laws of 2001) allows a deduction from the B&O tax for amounts received by nonprofit hospitals or public hospitals from a managed care organizations or other entities under contract with a federal or state government to manage certain health care benefits. *Effective July 13, 2001.*

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2001 LEGISLATIVE TAX CHANGES



. . . 2001 Legislative Tax Changes
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Public utility tax deduction for water efficiency – Engrossed Substitute House Bill (ESHB) 1832 (Chapter 237,

Laws of 2001), provides that water distribution businesses with water system plans that include water conservation plans may deduct 75 percent of the amounts expended for water conservation under “*conservation expenditures*.” The plan must be filed with the Washington Department of Health. Municipalities and businesses operating with permits filed with the Washington Department of Ecology for reclaimed water may deduct 75 percent of their gross income under “*reclaimed water*” deduction line. *Effective May 10, 2001.*



Changes for linen and uniform supply services – House Bill (HB) 1385 (Chapter 186, Laws of 2001) provides that

sales of linen and uniform supply services will occur at the place of delivery to customers. Previously, the sale was considered to occur where the laundering facility was located.

As a result, linen and uniform supply services must collect retail sales tax based on the rate in effect at the location where delivery occurs. This change is effective July 1, 2001.

“Linen and uniform supply services” means “the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, mats, rugs, and similar items, whether the items are owned by the person operating the linen and uniform supply service or owned by the customer. The term includes supply services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses. *Effective July 1, 2001.*”

Tax status of farmers – Substitute House Bill (SHB) 1339 (Chapter 118, Laws of 2001) clarifies and changes the taxable status of farmers in several areas. SHB 1339 contains the following provisions:

- ◆ Eliminates unnecessary language and confusion by excluding farmers as defined in RCW 82.04.213 from the definition of extractor.
- ◆ Provides that farmers who manufacture farm products (e.g., producing wine from grapes they grow) do not lose their status as farmers. As a result, such farmers may purchase inputs associated with raising agricultural products (e.g., seed, fertilizer, spray materials) at wholesale.
- ◆ Changes the B&O tax exemption available to farmers to include the growing, raising, or production of agricultural products owned by others (including custom feed operations).
- ◆ Incorporates existing agricultural-related statutory definitions by replacing the phrase “animals intended to be pets” with “animals defined as pet animals under RCW 16.70.020” and replacing the phrase “purebred livestock” with “livestock as defined in RCW 16.36.005.”
- ◆ Provides that litter tax does not apply to sales by farmers that are exempt from the B&O tax. *Effective July 22, 2001.*

Various tax incentives for energy – Engrossed House Bill (EHB) 2247 (Chapter 214, Laws of 2001) is designed to encourage the construction of electrical generation facilities. This is accomplished through changes in the permitting process and targeted tax credits and exemptions.

The legislation allows tax credits for electrical generation facilities associated with direct service industrial customers. Direct service industrial customers are businesses that purchase electricity directly from Bonneville Power Administration for direct consumption. B&O tax credits are authorized for purchases of manufactured or natural gas used to power electrical generation facilities. A public utility tax credit is allowed for electricity sales to direct service industrial customers. For each type of tax credit, recipients must submit applications to the Department of Revenue, before taking the credits.

To mitigate increased electricity costs to low income persons, the legislation authorizes a public utility tax credit for utilities that make contributions to qualifying organizations and provide discounts to low income individuals. The Department of Community, Trade & Economic Development and the Department of Revenue will jointly administer this program. *The bill is generally effective May 8, 2001; various credit provisions effective July 1, 2001.*

Sales tax exemption for electric generation – House Bill (HB) 1859 (Chapter 213, Laws of 2001) adds fuel cells to the qualifying machinery and equipment eligible for sales tax exemption for alternative electric generating facilities. “Fuel cell” means an electrochemical reaction that generates electricity by combining atoms of hydrogen and oxygen in the presence of a catalyst. The bill also changes the requirement that the machinery and equipment must be used to generate at least 200 watts (instead of 200 kilowatts) of electricity. *Effective July 1, 2001.*

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Other Legislative Changes

Use of local sales tax for special needs transportation – Substitute House Bill (SHB) 1596 (Chapter 89, Laws of 2001) allows for the creation of a county transportation authority to provide transportation services to persons with special needs. The bill also expands the use of local sales and use tax for public transportation services to include the transportation of persons with special needs. *Effective July 22, 2001.*

Cash or accrual, grain warehouses – Substitute House Bill (SHB) 1140 (Chapter 20, Laws of 2001) allows persons operating grain warehouses to elect to report the income from such operations on either a cash receipts or accrual basis. *Effective July 1, 2001.*

Project to study use of electronic resale certificates – Substitute House Bill (SHB) 1203 (Chapter 116, Laws of 2001) permits the Department to set up a project in which certain sellers may collect and use electronic resale certificates with electronic signatures. Participants must sign an agreement with the Department and demonstrate that they are able to provide data in a form the Department can use. Such sellers are relieved of any other exemption documentation requirements for wholesale sales. *Effective July 22, 2001.*

Short-rotation hardwood trees on agricultural land – Senate Bill (SB) 5108 (Chapter 97, Laws of 2001) extends the life for short-rotation hardwood trees grown on land classified as agricultural from 10 to no more than 15 years. Such trees are considered agricultural products and growers are farmers. *Effective July 22, 2001.*

Property Tax Changes

Simplification of property taxation of land assessed as forest land – Substitute Senate Bill (SSB) 5702 (Chapter 249, Laws of 2001) simplifies and consolidates Chapter 84.33 RCW regarding the taxation of land used to grow and harvest trees. This bill merges the two categories of forest land, classified and designated, into one category, designated forest land. RCW 84.33.120, which deals with classified forest land, is repealed in SSB 5702 and amended in SHB 1450. Taxpayers and county officials should consider RCW 84.33.120 repealed as of the effective date of this act. *Effective July 22, 2001.*

Property tax exemption – Substitute House Bill (SHB) 1450 (Chapter 305, Laws of 2001) provides two exemptions from back taxes and interest that are generally assessed when land is removed from designation under Chapter 84.33 RCW (forest land) or classification under Chapter 84.34 RCW (current use program). One exemption applies to sales or transfers of such land that occur within two years of the death of the owner with at least 50 percent ownership when the land has been continuously classified or designated under Chapter 84.33 or 84.34 RCW since 1993. The other exemption also applies to land continuously classified or designated under Chapter 84.33 or 84.34 RCW since 1993 and the sale or transfer takes place between July 22, 2001 and July 22, 2003, and the death of the owner of at least 50 percent interest occurred after January 1, 1991. *Effective July 22, 2001.*

Property tax exemptions; public hospitals and educational foundations – Engrossed Substitute House Bill (ESHB) 2191 (Chapter 126, Laws of 2001) extends the property tax exemption to include real and personal property leased by public hospital districts and used for hospital purposes. The exemption also extends to real and personal property owned by nonprofit foundations, which support public or private institutions of higher education. The property must be used by the institution of higher education for campus purposes to further the educational functions of the college or university and be actively used by current students of the institution. *Effective July 22, 2001.*

DOR to collect deferred property tax rather than county treasurer – Substitute Senate Bill (SSB) SSB 5638 (Chapter 299, Laws of 2001) authorizes the Department of Revenue to collect all the amounts deferred as well as interest under 84.38 RCW (Deferral of Special Assessments and/or Property Taxes). *Effective July 22, 2001.*

Property tax levy for passenger rail service – House Bill 1943 (Chapter 58, Laws of 2001) allows legislative authority of counties to establish one or more county rail districts to provide and fund improved rail freight, passenger service, or both. *Effective July 22, 2001.*

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Forest practices act-farm land – Substitute Senate Bill (SSB) 5497 (Chapter 102, Laws of 2001) excludes farm and agricultural land from the definition of forest land under the forest practices act. As a result, forest land does not include agricultural land that is or was enrolled in the conservation reserve enhancement program by contract if such agricultural land was historically used for agricultural purposes and the landowner intends to continue to use the land for agricultural purposes in the future. *Effective July 22, 2001.*

Property tax exemption for farm equipment – Substitute House Bill (SHB) 1906 (Chapter 24, Laws of 2001) provides an exemption from the state portion of the property tax for machinery and equipment owned by farmers. Farmers must still report the machinery and equipment and apply for the exemption with the county. The machinery and equipment must be used exclusively in growing and producing agricultural products during the calendar year for which the exemption claim is made. *Applies to taxes levied for collection in 2003 and thereafter.*



New Telephone Numbers

The Department's Taxpayer Services Division has moved to a new location. As a result, some telephone numbers may no longer be valid. For persons faxing to the Taxpayer Information and Education Section, the new fax number is (360) 486-2159. The Telephone Information Center number remains **1-800-647-7706.**



Excise Tax Advisories (ETA)

The Department issues Excise Tax Advisories (ETA) to explain the Department's policy regarding specific tax issues. The table below identifies recently issued, cancelled, and revised ETAs.

	<i>Issued, effective September 6, 2001</i>
2006.16.179	Taxability of Air Transportation and Other Activities Performed With Aircraft.
	<i>Revised, effective June 18, 2001</i>
2002.16.179 <i>(3rd revision)</i>	Low-Density Light and Power Utility Deduction.
	<i>Cancelled, effective February 15, 2001</i>
183.16.179	Gross Income of Public Utility Districts.
186.08.239	Sales to Nonresident Farmers and the Machinery and Implements Exemption.
291.04.239	Parts and Repairs for Farm Machinery of Nonresidents.
314.12.178	Inventory Donated to Charity Subject to Use Tax.
381.04.161	Wholesale Sales of Rye and Milo.
434.04.169	Business and Occupation-Sales Tax: Nonprofit Organization's Retailing Magazines.
502.40.181	Suitable Records-Timber Harvesters.
504.08.192	Sales to or by Indians.
2005.84.33	Timber Tax-Personal use of Timber by Landowner.
	<i>Cancelled, effective April 11, 2001</i>
459.04.146	Interest Received on Direct Obligations of the Federal Government.
	<i>Cancelled, effective May 17, 2001</i>
572.04.169	Grants Received by Nonprofit or Governmental Entities.
	<i>Cancelled, effective July 16, 2001</i>
067.04.135	Extracting Tax Classification in Regard to Logging Operations.
099.08.122	Spray Materials Used in Producing Timber and the Agricultural Exemption.
369.04.172	Retail Sales Tax: Tree Planting and Tree Thinning.
373.08.171	Retail Sales Tax: Logging Performed as an Incident to Construction of Privately Owned Roads.
394.04.136	Activities for His Own Use or Incidental to the Taxpayer's Major Activity.
420.08.12.102/135	Seedlings Used in Reforestation Programs.
541.04.45.33.135/129	Tax Liabilities on Forest Landowners & Harvesters: Sale of Standing Timber vs. Sales of Logs.
550.16.179	Deduction Requirements for Certain Log Hauls by Truck.
	<i>Cancelled, effective August 8, 2001</i>
367.04.172	Clearing Land and Moving Earth for Commercial Farmers.
	<i>Cancelled, effective September 6, 2001</i>
321.16.179/224	Air Taxi Service, Chartered Flights and Student Training Fees.

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Rule Changes



The Department publishes tax rules, Washington Administrative Code (WAC) to assist taxpayers in accurately reporting their tax liability. The following rules were recently revised or adopted.

<i>Cancelled, effective September 14, 2001</i>	
020.08.103	Catalogues Purchased Within the State for Distribution Without.
088.04.111	Deduction of Advances and Reimbursements.
162.04.193	Cartage, Storage and Handling of Goods Moving in Interstate Commerce.
175.04.193	Local Services Connected with Interstate Transactions.
179.08.103	Credit Bureau Business, Charges for Credit Information, and the Retail Sales Tax.
283.08.211	Sales Tax Liability on Lease-Purchase Agreements.
360.08.237	Retail Sales Tax: Constitutional Issues.
397.04.140	Photofinishing for Out-of-State Customers.
506.04.193B	Nexus Presumption.
508.04.193B	Nexus: Employees of Seller's Agent.
509.04.193B	Business and Occupation Tax on Local Services of Nonselling Resident Managers.
520.04.211	Water Conditioning Services.
560.04.193	Delivery – Goods Originate Outside Washington.

Rules Revised or Adopted

WAC 458-20-13501	Timber Harvest Operations. <i>Effective June 14, 2001.</i>
WAC 458-20-169	Nonprofit Organizations. <i>Effective May 17, 2001.</i>
WAC 458-20-192	Indians—Indian Country. <i>Effective January 1, 2001.</i>
WAC 458-20-228	Returns, Remittances, Penalties, Extensions, Interest, Stay of Collection. <i>Effective March 12, 2001.</i>
WAC 458-20-22802	Electronic Funds Transfer. <i>Effective April 13, 2001.</i>
WAC 458-20-238	Sales of Watercraft to Nonresidents. <i>Effective December 2, 2000.</i>
WAC 458-20-240	Manufacturer's New Employee Tax Credits. <i>Effective August 15, 2001.</i>
WAC 458-20-24001	Sales and Use Tax Deferral-Manufacturing and Research/Development Activities in Distressed Areas Applications filed prior to August 1, 1999. <i>Effective May 30, 2001.</i>
WAC 458-20-24001A	Sales and Use Tax Deferral-Manufacturing and Research/Development Activities in Distressed Areas Applications filed after July 31, 2000. <i>Effective May 30, 2001.</i>
WAC 458-20-247	Trade-ins, Selling Price, Sellers' Tax Measures. <i>Effective April 21, 2001.</i>
WAC 458-20-264	National Uniform Tobacco Settlement. <i>Effective December 23, 2000.</i>

Rules Cancelled

WAC 458-20-259	Small Timber Harvest-B&O Tax Exemption. <i>Effective July 17, 2001.</i>
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New Interim Audit Guidelines

Interim Audit Guidelines (IAG) explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are intended to communicate timely guidance of tax issues where no published guidance exists.

Guidelines issued January 1, 2001:

IAG 01.01	Deferred Sales Tax
IAG 02.01	Refunds of retail sales tax collected in error
IAG 03.01	Taxability of Credit Bureau Services

You may obtain a copy using the Department's Automated Services. ▲

About the IRS . . .

Each year, we receive numerous calls requesting federal income tax assistance. As a state agency, the Department of Revenue is not qualified to answer federal tax questions or provide forms. For assistance with federal tax forms, please contact the Internal Revenue Service at one of the following:

Federal Tax Information	1-800-829-1040
IRS Federal Tax Forms only	1-800-829-3676
Tele-tax Information and Automated Refund Information	1-800-829-4477
TTY Only (Hearing & Speech Impaired)	1-800-829-4059
IRS Web Site:	http://www.irs.gov

Q&A

Q. As a catering company I rent various items from a local party supply store and

resell the items to customers. I bill customers for the rented items separate from charges for catering. The party supply store would not accept a resale certificate and charged me sales tax. Is this correct?

A. The party supply store is correct to charge sales tax. Persons performing catering services must pay retail sales or use tax on the purchase or rental of all items used in the business. The tax applies even if a separate charge is made to customers for the use of such items. Taxable items include rentals of dishes, silverware, linens, tables, equipment, or decorations used in performing the catering service.

Q. What are the record keeping requirements for businesses? What type of records should I keep and for how long?

A. Businesses are required to keep complete and adequate records from which the Department may determine the business's tax liability. In general, records are to be kept, preserved, and presented upon request of the Department, which will demonstrate:

- ◆ The amount of gross receipts and sales from all sources, including barter or exchange transactions.
- ◆ The amount of all deductions, exemptions, or credits claimed through supporting documentation.

Such records may include general ledgers and sales journals, together with all bills, invoices, and cash register tapes. The records should also include all federal and state tax returns as well as all reports, schedules or work papers used to prepare tax reports or returns.

Records must be preserved for a period of five years. Please refer to Washington Administrative Code (WAC) 458-20-254 for more information. ▲

Tax Workshops Offered

New Business Outreach Workshops provide a basic overview of taxes that apply to various business activities in Washington. Topics include tax reporting classifications, deductions, collecting sales tax, and record keeping requirements. Participants will receive a free informational reference workbook and have the opportunity to ask questions. Register to attend a workshop at <http://dor.wa.gov/menu/services/workshops.htm> or call the number listed. Check our web site for upcoming workshop dates, times, and locations.

New Business Outreach Workshop Schedule

Date	Location	Address	Time
1/8/02	Bellingham 360/676-2114	Dept. of Social & Health Services Labor & Industries Building 1720 Ellis Street, Conference Room A	1:00-4:00
1/9/02	Olympia 360/753-1551	Dept. of Revenue Target Place Complex 2735 Harrison Avenue NW	9:00-12:00
1/15/02	Wenatchee 509/663-9714	Douglas County Fire Station 377 Eastmont	1:30-4:00
1/16/02	Lakewood 253/593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:30
1/16/02	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30
1/17/02	Bellevue 425/452-6851	Bellevue City Hall, Council Conf. Room 11511 Main Street	1:00-4:00
1/22/02	Ferndale 360/676-2114	Ferndale Library 2222 Main Street (Park on Washington Street)	6:00-9:00 pm
2/6/02	Seattle 206/956-3002	Dept. of Revenue 2101 4th Ave, Suite 1400	1:00-4:00
2/12/02	Bellingham 360/676-2114	Worksource Office 101 Prospect Street, Suite 10	1:00-4:00
2/13/02	Lakewood 253/593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:30
2/18/02	Wenatchee 509/663-9714	Douglas County Fire Station 377 Eastmont	1:30-4:00
2/20/02	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30
3/12/02	Bellingham 360/676-2114	Worksource Office 101 Prospect Street, Suite 10	1:00-4:00
3/13/02	Lakewood 253/593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:30
3/13/02	Olympia 360/753-1551	Dept. of Revenue Target Place Complex 2735 Harrison Avenue NW	9:00-12:00
3/18/02	Wenatchee 509/663-9714	Douglas County Fire Station 377 Eastmont	1:30-4:00
3/20/02	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30



24-Hour Automated Services

**Need Help? The following automated services are available
24 hours a day, 7 days a week.**



Internet Access:
<http://dor.wa.gov>

Update your account information –
Change your address or close your account with the Department of Revenue:

- Click on **DOR Services**
- Under the **Find it Fast** menu, click on **Business Information Update**
- Fill out the form and click *Send*.

Tax returns, Master Applications and other forms:

- Click on **Forms**;
- Check out the **Top 10 Forms** list; or
- Select from the menu under **Find it Fast**.

Department publications:

- Click on **Publications**
- Check out the **Top 10 Publications** list; or
- Select from the menu under **Find it Fast**.

Rules, laws, Excise Tax Advisories (ETA) and Washington Tax Decisions (WTD):

- Click on **Rules & Laws**
- Select from the menu under **Find it Fast**
- To search for rules, laws, advisories or rulings by key word, select **Taxpedia**.

Find answers to frequently asked questions:

- Under **Tax Topics**, click on **FAQs**
- Select from a variety of topics listed under the **Find it Fast** menu.

Instructions for completing your tax return:

- Under **Tax Topics**, click on **Business**
- Under the **Find it Fast** menu, click on **Business Tax Guide**.

Penalty waiver information:

- Under **Tax Topics**, click on **Business**
- Under the **Find it Fast** menu, click on **Filing Your Tax Return**
- Click on **Requesting a Penalty Waiver**.

Workshop schedules and information:

- Click on **DOR Services**
- Under **Find it Fast**, click on **Workshops**.

Automated Telephone Assistance:
Call 1-800-647-7706

Update your account information, file a “no business activity” return, clear a delinquent account or close your Department of Revenue account:

- By-pass the voice menu and go directly to the account update section by entering 111;
- Enter your 9-digit UBI/registration number;
- Verify the number entered;
- Choose from the following:
 - § To change your address, enter 21
 - § To close your account, enter 22
 - § To file a “no business activity” return, enter 3.

Order publications or forms including tax returns, rules/laws, or a Master Application:

- Follow the voice prompt;
- State the name or description of the publication/form;
- Leave your name and address.

Use *Fast Fax* to transmit documents directly to your fax machine:

- Follow the voice prompt;
- Enter the Fast Fax code for the publication.

Tax Express - listen to prerecorded tax information:

- Call 1-800-334-8969
- Enter the 3-digit code for the document/topic of your choice; or
- Enter code 500 for a list of available documents.

Speak to a Tax Specialist:
Call 1-800-647-7706

Tax Specialists are available to answer your questions, Monday through Friday, 7:30 a.m. to 5:00 p.m. To receive faster service during the busy month of January, we offer the following tips:

- Call early in the month with your questions — before January 15 if possible.
- Avoid calling during the busiest time of 11:00 a.m. to 2:00 p.m.
- Use our 24-hour automated services.
- Have your 9-digit UBI/tax reporting account number and tax return available.
- Stay on the line if you need to talk to a specialist. We answer every call in the order received.

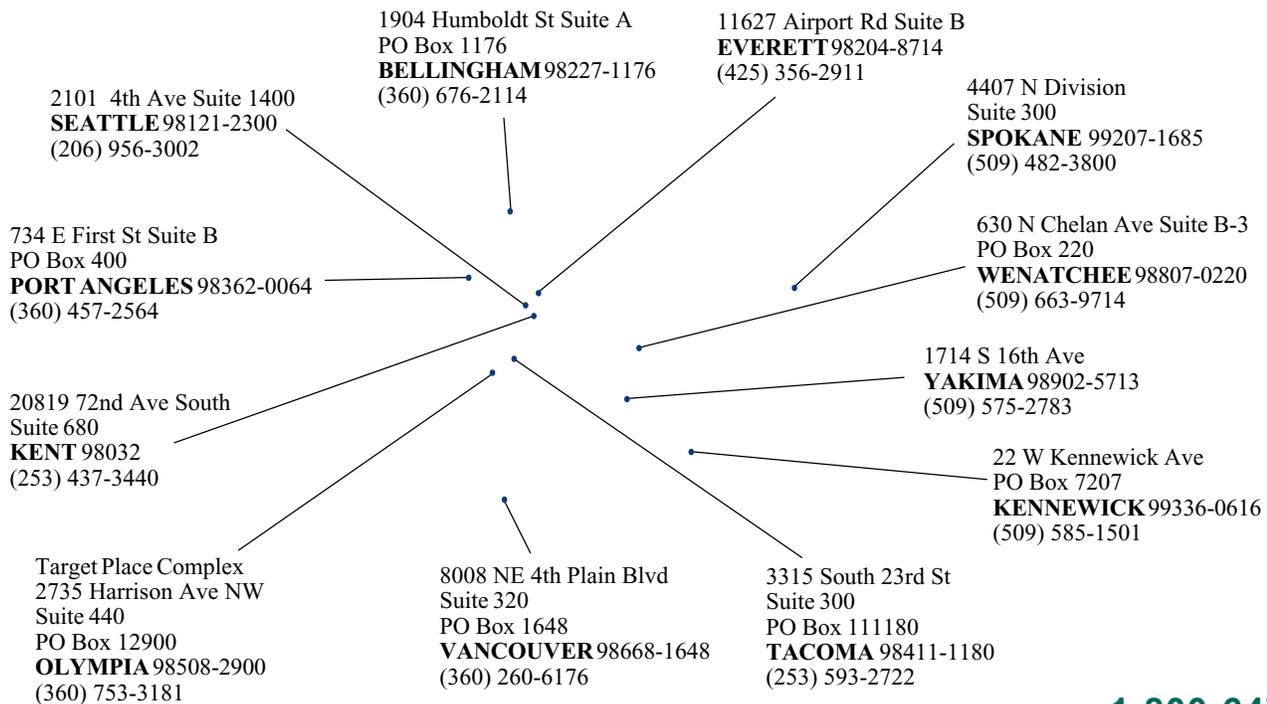


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<http://dor.wa.gov>

Department of Revenue T



1-800-647-7706

*To inquire about the availability of this document in an alternate format
for the visually impaired, please call (360) 486-2342.
Teletype (TTY) users please call 1-800-451-7985.*

Prepared by the Taxpayer Services Division



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