

Washington State Department of Revenue

Tax Facts

Electronic Filing Adds E-check

We've just added [E-check](#) as a new payment option for our Electronic Filing service. E-check lets users file their state tax returns electronically, then pay by check online rather than mailing a paper check. The process is simple and quicker than hunting down a stamp and envelope.

[Electronic Filing](#) helps businesses avoid penalties by filling out their tax returns right the first time. E-file:

- Calculates taxes due and flags potential errors before you file your return.
- Allows data upload from spreadsheets and accounting packages.
- Provides multiple payment options, including electronic funds transfer, credit card, paper check, and now E-check.

Join the nearly 50,000 Washington businesses that file electronically. For more information on E-filing, call 1-877-345-3353 or go to <http://dor.wa.gov> and click on the E-file logo.

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It's that time . . . We're here to help!

It's crunch time. Thousands of businesses will prepare and file excise tax returns in the next few weeks. If you need help, we offer a number of services to assist you.

Internet/Electronic Services

Our web site <http://dor.wa.gov> can save you time in completing and filing your Department of Revenue tax return. Brochures, tax forms, and local sales tax rate charts are all at your fingertips, 24 hours a day. You can also update your account information, [change your address](#), or [close your account](#) by clicking on **Business** (under *Tax Topics* to the left of your screen), then clicking one of the options in the gray box to the right of your screen.

Automated Telephone Services

Our toll-free automated services offer access to forms and information, and allow you to change an address, close your business, or make other changes to your account. Just call **1-800-647-7706**, listen to the menu, and select from the available options.

Telephone Information Center

Still can't find the information you're looking for? Call **1-800-647-7706** for personal assistance.

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Our phone lines become very busy during January. To avoid long waits:

- Call early in the month, before January 15.
- Have your UBI/ tax registration number and tax return available. This nine-digit number is printed on the tax return, above the name and address label.
- Know the type of tax return you've received – a *Combined Excise Tax Return*, *Sales Tax Remittance Return*, or a *B&O Activities Tax Return*.
- Have your gross income figures available to complete the return. (Remember, gross income should not include sales tax collected.)
- Stay on the line and be patient – we answer every call in the order received.

Telephone Information Center provides extended hours in January

During the month of January only, our Telephone Information Center will provide extended hours, from 7:30 a.m. to 5:30 p.m., Monday through Friday. Call 1-800-647-7706.

Looking for the IRS?

Each year, we receive many calls requesting federal income tax assistance and forms. As a state agency, the Department of Revenue is not qualified to answer federal tax questions and does not maintain federal (IRS) forms, such as W2s and 1099s. For assistance with federal taxes, please contact the Internal Revenue Service online at: www.irs.ustreas.gov, or at one of the following numbers:

Federal Tax Information – 1-800-829-1040

IRS tax forms only – 1-800-820-3676

Tele-tax Recorded Tax Information – 1-800-829-4477

New B&O Activities Tax Return . . . One might be coming to you

We continually try to improve your tax return filing experience. With this in mind, we've developed a new *Business and Occupation (B&O) Activities Tax Return*. The new return allows businesses that meet specific criteria to file using a simplified form. The new return is customized for taxpayers and is designed for more efficient processing.

We began phasing in the *B&O Activities Tax Return* with monthly filers in August 2003. In mid-December 2003, qualifying annual filers will receive the new *B&O Activities Tax Return*. If you don't receive a *B&O Activities Tax Return*, keep filing on the tax return you receive in the mail.

By April 2004, approximately 75,000 businesses will be using the new return. If you receive one of the new tax returns and have any questions, call us at 1-800-647-7706.

Get it Right! Hints for completing your tax return

February 2, 2004, is the due date

- Because January 31 falls on a Saturday in 2004, you have until February 2, 2004, to file your 2003 annual return without penalty. Be sure to mail your completed return so the envelope is postmarked on or before that date.
- You can also hand-deliver returns to any of our [12 local offices](#) on or before the due date. For the office nearest you, see the [back page](#).

Use the tax return form we mail to you

- Please use the form you receive in the mail when filing your annual 2003 taxes. Photocopied returns cannot be processed by our automated return processing system.
- Avoid paper returns altogether – [file electronically](#). (See [page 1](#) for more information.)

No business activity or no tax due

- You must file a tax return, even if you had no business activity or don't owe tax. To file a "no business" return, just check the "no business activity" box on the return, located directly under the due date information at the bottom right of the return.
- Another option is to [file a "no business" return electronically](#).
- Tele-file a "no business" return using our automated telephone service at 1-800-647-7706.

Local sales/use tax changes

- Confirm the correct location code and tax rates before completing your tax return. Refer to the local sales and use tax sections of the instructions mailed with your return.
- For local rates and codes, also see the [Local Sales and Use Tax Changes Flyer](#), available on our web site under **Publications**.

Small Business B&O Tax Credit

- Don't forget to take the Small Business B&O Tax Credit if the amount of **B&O tax** you owe for the entire year is less than \$840. [Instructions and a chart](#) to calculate your credit are included with the tax return.

Calculate your litter tax

- Retailers, wholesalers, and manufacturers of certain products owe litter tax on their gross sales of those certain products. For more details, see [WAC 458-20-243](#). Access the rule from our web site at <http://dor.wa.gov> or call to request a copy. Need help determining if you owe litter tax? Call our Telephone Information Center.

Finishing up

- Sign the return, date it, and include a daytime phone number.
- Use the self-addressed envelope provided when mailing back the tax return.
- Make a photocopy of the tax return for your records before mailing the return.

Do you do Business with Indians in Indian Country?

Special rules apply if you do business with Indians in "Indian Country." Don't rely on unofficial sources for tax information in this technical area. The only official source of information regarding taxes administered by the Department of Revenue is the Department itself, despite any representations to the contrary.

The Department's official position on excise tax issues related to tribes and tribal members is contained in [WAC 458-20-192](#). If you have additional questions or need specific advice, please contact us directly.



Tax Workshops – Sign up Today

Looking for a tax workshop in your area? Check out our web site! Throughout the year we offer workshops all over the state. Go to <http://dor.wa.gov> and click on **Business** (under *Tax Topics* to the left of your screen), then [Workshops](#) (in the gray box to the right of your screen). You'll find workshops for:

- New Businesses
- Contractors
- Retail Food Sellers
- Unclaimed Property Holders

Once you find the workshop that's right for you, complete our online registration form to sign up. See you there!

New Business Workshop Schedule:

DATE	LOCATION	ADDRESS	TIME
1/13/04	Bellingham	Worksource Office, 101 Prospect Street, Suite 10, Conference Room, Bellingham (To register, please call 360/676-2114)	1:00-4:00
1/14/04	Lakewood	Lakewood Library 6300 Wildaire Road SW, Lakewood (To register, please call 253/593-2722)	1:00-4:00
1/15/04	Bellevue	Bellevue City Hall, Council Conference Room 11511 Main Street, Bellevue (To register, please call 425/452-6851)	1:00-4:00
1/21/04	Spokane	Dept. of Revenue, 8th floor of Northtown Office Bldg. 4407 N. Division, Spokane (To register, please call 509/482-3805)	8:30-11:30; 1:30-4:30
1/21/04	Vancouver	Dept. of Revenue Training Room 8008 NE Fourth Plain Blvd, Suite 340, Vancouver (To register, please call 360/260-6176)	9:00-12:00
1/22/04	Bremerton	The Central Branch, Kitsap Regional Library 1301 Sylvan Way, Bremerton (To register, please call 1-800-647-7706)	10:00-12:00
2/10/04	Bellingham	Worksource Office, 101 Prospect Street, Suite 10, Conference Room, Bellingham (To register, please call 360/676-2114)	1:00-4:00
2/11/04	Lakewood	Lakewood Library 6300 Wildaire Road SW, Lakewood (To register, please call 253/593-2722)	1:00-4:00
2/18/04	Vancouver	Dept. of Revenue Training Room 8008 NE Fourth Plain Blvd, Suite 340, Vancouver (To register, please call 360/260-6176)	1:00-4:00
3/9/04	Bellingham	Worksource Office, 101 Prospect Street, Suite 10, Conference Room, Bellingham (To register, please call 360/676-2114)	1:00-4:00



NEW! Estate Tax section

Ever wonder . . .

- What's Estate Tax?
- What's the filing threshold and what assets you should include?
- When the estate tax return is due?

You can find answers to these questions and much more information in our [Estate Tax section](#), located under *Tax Topics* (on the left of our home page).

If You Have Questions about a Specific Industry . . .

We have a resource for you! Our [Industry Specific section](#), located on our home page under *Tax Topics*, provides tax-related information for a number of industries including:

- Contractors
- Auto Dealers
- Daycare Providers
- Food Sellers/Retailers
- Lodging
- Agricultural/Farming

Tax Registration Account Changes Made Easy!

Have you recently moved your business? Changed your business telephone number? Added a new business activity or just closed your business completely?

You can [update your business account information](#) or [close your account](#) 24 hours a day, 7 days a week, without having to call or write a letter to us.

How can I update my information?

Select *Business* from the *Tax Topics* menu (on the left side of our home page). Then make your selection from the options in the *Business* menu on the right.

What changes can I make?

- Close your Department of Revenue tax registration account
- Under *Business Information/Update*:
 - ◆ Change all or part of your business mailing address
 - ◆ Change your business telephone number
 - ◆ Change or add a new business activity
 - ◆ Change or add your business e-mail address

How can I make such changes with other state agencies?

See [External Links](#) (on the bottom left of our home page) for direct links to other state agency Internet sites such as:

- Labor and Industries
- Employment Security
- Department of Licensing
- Office of the Secretary of State

More Publications

During 2003, the Department of Revenue (DOR) updated and revised a number of publications, for example, brochures on B&O tax, retail sales tax, and use tax. These, and dozens of other tax-related publications, are available on our web site under [Publications](#).

Throughout the year, DOR's Appeals division publishes Washington Tax Decisions (WTDs). Published WTDs provide guidance on applications and interpretations of tax statutes, administrative rules, and DOR policies to taxpayers and DOR personnel. The cases are sanitized to protect the identities of the taxpayers involved. To receive notification of newly issued WTDs electronically, sign up for our [Excise Tax Information Listserv](#). For more information on Listserv, click on *Contact Us* at the top of the screen, then *Listserv E-mail Service* (in the gray box to the right of your screen).

Go to <http://dor.wa.gov>
and check it out!





Questions & Answers

Q. What does “gross receipts” mean? Should gross receipts include the sales tax I’ve collected?

A. “Gross receipts” means the total income generated, without any deductions for costs of business such as labor, materials, taxes, or travel. Gross receipts don’t include amounts separately stated as sales tax.

Q. When do I report my income – when I bill it out or when I receive the payment?

A. Two methods of reporting are available:

1. **Cash basis reporting:** Report your income on the tax return in the year that payment is received, regardless of when the goods or services were delivered.
2. **Accrual basis reporting:** Report your income on the tax return in the year that the goods or services are delivered, regardless of when payment is received.

Generally, you should use the same reporting basis with state tax returns as you use with the federal government returns. You cannot switch between the two methods – you must keep with the same reporting basis throughout the year.

Q. With the Small Business Credit, I don’t owe any B&O tax. Do I still need to send in my return if I don’t owe any money?

A. Yes. You must send in your tax return even if you don’t owe tax or if you haven’t done business in 2003.

Q. Is freight subject to retail sales tax or use tax?

A. Yes. Freight, shipping, or other delivery costs are considered part of the selling price upon which sales tax is calculated and are part of the value upon which use tax is calculated.

Q. What is use tax and who owes it?

A. Use tax is a tax on the use of goods or certain services in Washington when sales tax has not been paid on those goods or services. For example, if:

- Goods are purchased from an out-of-state business via the Internet or from a mail order catalog and the out-of-state business does not collect sales tax, or
- You purchase goods in a state with no sales tax or a state with a sales tax lower than Washington’s.

Tax on Foods – Changes are coming in 2004

Effective January 1, 2004, Washington’s taxation of food products significantly changes. The changes result from 2003 legislation ([SB 5783](#)) and align Washington’s taxation of foods and food ingredients with other states.

What items are tax exempt?

- **Food and food ingredients.** “Food and food ingredients” are any substances sold for ingestion or chewing, except alcoholic beverages and tobacco products. Tax exempt items include:
 - Nonalcoholic bottled/canned beverages that contain any milk, milk products, or milk substitutes (soy, rice).
 - Nonalcoholic bottled/canned beverages that contain more than 50 percent vegetable or fruit juice.

What items are taxable?

- **Soft drinks.** “Soft drinks” are nonalcoholic beverages that contain natural or artificial sweeteners, including juice drinks that contain 50 percent or less vegetable or fruit juice.
- **Dietary supplements.**

- **Prepared foods.** “Prepared foods” are those heated by the seller and foods generally sold with an eating utensil (plate, cup, fork, napkins, etc.). Also taxable are foods resulting from the seller mixing or combining two or more ingredients, **except for the following items that are exempt** (unless sold with eating utensils or heated by the seller):
 - Bakery items;
 - Food that is only cut, repackaged, or pasteurized by the seller; and
 - Food containing raw eggs, fish, meat, or poultry that must be cooked by the consumer to prevent food-borne illness.

What are the biggest changes you'll notice?

- Bottled water is **not** taxable (does not contain sweeteners).
- Most sparkling water and club sodas are **not** taxable (do not contain sweeteners).
- Bottled coffee drinks that contain cream or milk are **not** taxable.
- Most sport drinks **are** taxable (contain sweeteners).
- Many juice drinks **are** taxable (contain 50 percent or less vegetable or fruit juice).

This summary provides only basic information about the food exemption changes. For more detailed information on the changes, please see our Special Notice, [Food Products-Sales Tax Changes](#).



Special Notices

A number of Special Notices were issued in 2003. These notices discuss recent legislative changes, explain how tax applies to a specific set of facts, or address specific issues. Access them online at: http://dor.wa.gov/content/pubs/specnotic/pubs_sn_main.asp or call us at 1-800-647-7706 to request a specific notice.

[Pesticides and the Hazardous Substance Tax](#) educates people that sell, apply, or use pesticides in Washington about their potential hazardous substance tax liability. The notice explains what pesticides are subject to the tax, who pays the tax, and how the tax is paid.

[Tax on Equipment Used to Reduce Agricultural Burning](#) provides information about the sales tax exemption for farmers who use structures and equipment as alternatives to field burning of cereal grains and field and turf grasses grown for seed.

[Important Information on Use Tax](#) and [Update: Important Information on Use Tax](#) both explain the legislative intent of EHB 1977 (Chapter 5, Laws of 2003), passed by the 2003 Legislature to clarify use tax exemptions provided for only those services exempted from sales tax by SB 6835 (Chapter 367, Laws of 2002).

[Vehicle Sales Tax and Use Tax Requirements for Persons in the Military Services](#) explains how sales and use taxes generally apply to vehicles owned by or obtained by military personnel.

[Reporting Instructions for Composting Facilities](#) explains how tax applies to persons operating composting facilities.

[Tax Reporting for Consignment Sales](#) explains tax reporting responsibilities for agents and owners of consigned goods.

[Petroleum Tax Re-imposed](#) notified affected taxpayers that the petroleum products tax would be re-imposed, effective July 1, 2003.

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Motor Vehicle Sales and Use Tax Rate Increase discusses the additional sales tax on sales and leases of motor vehicles, effective July 1, 2003.

Commuter Trip Reduction Credit Program explains the commuter trip reduction credit incentive for qualifying employers/property managers.

Chemical Dependency Service Providers – Tax Change provides details on the lower B&O tax rate for certain income received from qualifying treatment services for chemical dependency.

Environmental Remedial Action Sunsets provides tax reporting/classification information to businesses that previously reported under the environmental remedial action B&O tax classification, which expired after June 30, 2003.

Biofuel Manufacturers explains the tax benefits provided to manufacturers of biofuel.

Biofuel Sellers explains the tax benefits provided to sellers and distributors of biofuel.

Penalty Changes – The Cost of Making a Mistake Just Went Up details the new penalties and increased penalty rates that took effect on July 1, 2003, for delinquent returns, assessments and billings, tax warrants, and unregistered businesses discovered by the Department of Revenue.

Special Event Promoters and Vendors – New Requirements explains the new recordkeeping requirements for special event promoters and penalties imposed for not complying.

Food Products – Sales Tax Changes provides detailed information on changes in how sales tax is applied to food products. These are a result of 2003 legislation (**SB 5783**) and are effective January 1, 2004.



2003 New Tax Laws – Changes that may affect you

The 2003 Legislature made several changes to taxes and programs administered by the Department of Revenue. The following is a brief summary of some of the new tax laws. Copies of the complete bills are available online at the Washington State Legislature's web site, <http://www.leg.wa.gov/wsladm/bills.cfm>.

Special Notices were issued on a number of the 2003 Legislative changes to provide additional details and reporting instructions. (See [page 7](#) for a listing.)

Business & Occupation (B&O), Sales, and Use Taxes

Use tax clarifications – **Engrossed House Bill (EHB) 1977** (Chapter 5, Laws of 2003) clarifies the legislative intent of SB 6835 (passed by the Legislature in 2002). The bill amends use tax statutes to provide use tax exemptions for those services specifically exempted from sales tax in SB 6835. *Effective retroactively to June 1, 2002. [Special Notice issued.](#)*

Chemical dependency service providers – **House Bill (HB) 1858** (Chapter 343, Laws of 2003) provides a lower tax rate (0.484 percent) for persons providing intensive inpatient or recovery house residential treatment services for chemical dependency. *Effective July 27, 2003. Income received prior to July 27, 2003, is subject to service & other activities B&O tax. [Special Notice issued.](#)*

Commuter trip reduction credits – [Engrossed Substitute House Bill \(ESHB\) 2228](#) (Chapter 364, Laws of 2003) allows employers and property managers that provide financial incentives to their own or other employees for using ride sharing, public transportation, car sharing, or nonmotorized commuting to claim credits against their B&O and public utility taxes. The credit expires July 1, 2013. *Effective July 1, 2003. [Special Notice](#) issued.*

Tax increases for purchases of motor vehicles and fuel – Engrossed Substitute House Bill (ESHB) 2231 (Chapter 361, Laws of 2003) increases the motor vehicle fuel tax and the special fuel tax by five cents per gallon. It also increases the sales and use tax rates for sales or leases of motor vehicles by 0.3 percent. *Effective July 1, 2003. [Special Notice](#) issued.*

Monthly tax return due date changed – [Engrossed House Bill \(EHB\) 2269](#) (Chapter 13, Laws of 2003, 1st Special Session) moves the payment due date and filing date for monthly tax returns from the 25th of the following month to the 20th of the following month. *Effective for tax returns due on or after August 1, 2003.*

New penalties, penalty rates, and penalty applications – [Engrossed House Bill \(EHB\) 2269](#) (Chapter 13, Laws of 2003, 1st Special Session) adds new penalties and increased existing penalties for unpaid taxes. *The new penalties and penalty rates apply to tax returns received, and billings and assessments issued on or after July 1, 2003. See [Special Notice](#) issued on new penalties/penalty rates for additional details.*

1. Higher tax return penalties for late filing
Tax returns filed late after July 1, 2003, are subject to increased late payment penalties.
2. Penalties on assessments and billings
A new **five percent penalty** is automatically added to all billings and assessments originally issued by the Department of Revenue on or after July 1, 2003. This includes, but is not limited to:
 - Balance due billings issued because of underpayments or mistakes made on tax returns
 - Tax assessments resulting from an audit
 - Compliance assessmentsThe billing penalty is imposed on top of any late penalties applied to tax returns contained within the billing. If a billing is not paid in full by the due date specified on the billing, the penalty increases. *Effective for all billings originally issued on or after July 1, 2003.*
3. Increased penalty for tax warrants
The penalty that the Department of Revenue applies when a tax warrant is issued increased from five percent to **ten percent**. A tax warrant is a document issued by the Department to enforce collection of unpaid excise taxes. Warrant penalties for tax warrants issued prior to July 1, 2003, did not change. *Effective for all tax warrants originally issued on or after July 1, 2003, regardless of the periods included in the tax warrant.*
4. Penalties for unregistered businesses
An additional **five percent penalty** will be assessed on any tax owed by a business that the Department of Revenue discovers has been operating without being registered with the Department. The penalty will not apply if the business voluntarily registers or registers through the Department's [Voluntary Disclosure Program](#), located on our web site at <http://dor.wa.gov> prior to being contacted by the Department of Revenue. *Effective for all unregistered businesses discovered on or after July 1, 2003.*
5. Recordkeeping requirements for special event promoters
Special event promoters must verify that vendors making retail sales of tangible personal property or providing services at an event are registered with the Department of Revenue or face penalties. Some special events are exempted from these requirements. *Effective for all special events held on or after July 1, 2003. [Special Notice](#) issued.*

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Local voter approved property and sales taxes – [Second Engrossed Substitute Senate Bill \(2ESSB\) 5659](#) (Chapter 24, Laws of 2003, 1st Special Session) authorizes local governments to submit additional property tax levies or sales and use tax rate increases (not to exceed 0.3 percent) for voter approval at a primary or general election. Sales or leases of motor vehicles (up to the first 36 months of a lease) are exempt from any sales or use tax imposed under this new law. *Effective July 1, 2003.*

Property Tax

Personal property listing for personal property tax – [Substitute House Bill \(SHB\) 1278](#) (Chapter 302, Laws of 2003) removes the signature requirement from personal property listings (“affidavits”) allowing taxpayers to submit personal property affidavits electronically. The bill also allows assessors to send a statement and list of personal property to taxpayers electronically. *Effective July 27, 2003.*

Property tax exemptions for artistic, scientific, and historical organizations – [House Bill \(HB\) 1905](#) (Chapter 121, Laws of 2003) allows qualifying not-for-profit organizations to maintain their tax exempt status even if they allow a nonqualifying entity to use or rent the exempt property. Such use must be for a limited period of time and under limited circumstances. *Effective July 27, 2003.*

Property tax exemption for property owned or used by a nonprofit organization – [House Bill \(HB\) 2001](#) (Chapter 344, Laws of 2003) allows a property tax exemption for the real and personal property of not-for-profit organizations that use the property to solicit or collect gifts, donations, or grants to support individual artists if the nonprofit organization meets specific qualifications. *Effective July 27, 2003.*

Tax Incentive Programs

Tax benefits for manufacturers of biodiesel fuel, alcohol fuel, biodiesel feedstock, and wood biomass fuel – [Second Substitute House Bill \(SSHB\) 1240](#) (Chapter 261, Laws of 2003) and [Engrossed House Bill \(EHB\) 2146](#) (Chapter 339, Laws of 2003) provide a six-year property tax exemption and leasehold excise tax exemption for qualifying property used to manufacture biodiesel fuel, alcohol fuel, biodiesel feedstock, and wood biomass fuel. The B&O tax rate for manufacturers of these products is also lowered. *Effective July 1, 2003. [Special Notice](#) issued.*

Tax benefits for sellers of biodiesel fuel, alcohol fuel, wood biomass fuel, and biodiesel, alcohol, wood biomass fuel blends – [Second Substitute House Bill \(SSHB\) 1241](#) (Chapter 63, Laws of 2003) and [Engrossed House Bill \(EHB\) 2146](#), Sec. 12 – 14, (Chapter 339, Laws of 2003). These bills provide tax incentives for retail sellers of biodiesel fuel, alcohol fuel, and wood biomass fuel. *Effective July 1, 2003. [Special Notice](#) issued.*

Unclaimed Property

Aggregate requirement changes for unclaimed property holders – [Substitute Senate Bill \(SSB\) 5737](#) (Chapter 237, Laws of 2003) changes the requirements to remit holder information. The bill changes when an aggregate reporting is allowed from \$25 to \$50, except for travelers checks and money orders. For unclaimed property with a dollar value less than \$50, the items may be reported in aggregate amount for each property type. *Effective July 27, 2003.*

Other Legislation

Administrative fee charged by car dealers – [Substitute House Bill \(SHB\) 2215](#) (Chapter 368, Laws of 2003) authorizes car dealers to charge up to \$35 per vehicle sale to recover administrative costs. The charge is not mandatory and must be:

- disclosed to the purchaser,
- separately designated from the selling price, and
- disclosed in any advertisement.

The fee is subject to service and other activities B&O tax. *Effective July 1, 2003.*

Quality maintenance fee on nursing facility operators – [Engrossed Second Substitute Senate Bill \(E2SSB\) 5341](#) (Chapter 16, Laws of 2003, 1st Special Session) imposes a maintenance fee on nursing home facilities of \$6.50 per patient per day. *Effective July 1, 2003. [Special Notice](#) issued.*

Local tourist funding – [Engrossed Substitute Senate Bill \(ESSB\) 6026](#) (Chapter 148, Laws of 2003) allows for counties with populations of more than 40,000 and less than one million to have “tourism promotion areas” and impose a “per night stay” fee of no more than \$2 on consumers purchasing lodging from businesses with at least 40 lodging units. *Effective July 27, 2003.*

Streamlined sales and use tax agreement – [Senate Bill \(SB\) 5783](#) (Chapter 168, Laws of 2003) makes Washington’s sales and use tax system more compliant with other states’ tax structures with a goal of making a multi-state simplified sales/use tax structure. *Significant changes implemented by the bill for food product sales are effective January 1, 2004. (See article on [page 6.](#)) Additional changes become effective July 1, 2004. [Special Notice](#) on food products issued.*

Expired Tax Classification & Deductions

Water distribution business deductions – RCW 82.04.0431 expired effective July 1, 2003. The law provided for two deductions under the water distribution classification of the public utility tax for:

- An amount equal to 75 percent of the amount expended on providing customers with conservation implements and
- An amount equal to 75 percent of amounts received from the sale of “reclaimed” (gray) water.

The law included an expiration date and the Legislature did not renew it. For periods after June 30, 2003, these deductions can no longer be taken.

Environmental remedial action – RCW 82.04.2635 expired effective July 1, 2003. As a result, the special B&O tax rate for environmental remedial action (ERA) expired after June 30, 2003. [Special Notice](#) issued.



Rule Making

The following is a recap of rule adoptions and repeals by the Department of Revenue to date for 2003. For more information regarding how these rules may affect you, visit us online at <http://dor.wa.gov> and click on [Rules and Laws](#) or call our Telephone Information Center at 1-800-647-7706.

Additional information regarding the Department’s rule making, including rule making currently in progress, is available online at our web site <http://dor.wa.gov>. Inquiries about a possible, proposed, or adopted rule may be directed to Alan R. Lynn, designated Rules Coordinator at (360) 570-6125 or alanl@dor.wa.gov.

Pursuant to [RCW 34.05.330](#), a taxpayer has the right to petition the Department of Revenue to adopt, amend, or repeal any administrative rule. You may file a petition regarding any of the rules described below or any other rule of the Department. You may obtain a copy of the petition form by downloading it from the Internet at

<http://www.ofm.wa.gov/reports/petition.pdf> or by calling our Telephone Information Center. The petition process is governed by rules adopted by the Office of Financial Management (see chapter 82-05 WAC).

Excise tax rules (WACs) adopted or amended:

- 458-20-165** **Laundry, dry cleaning, linen and uniform supply, and self-service and coin-operated laundry services** – (effective December 14, 2002.) This rule discusses the B&O, sales, and use tax reporting responsibilities of persons providing laundry and/or dry cleaning services, linen and uniform supply services, and self-service and coin-operated laundry facilities. WAC 458-20-165 was revised to reflect chapter 186, Laws of 2001, and chapter 367, Laws of 2002.
- 458-20-17803** **Use tax on promotional materials** – (third emergency rule adopted January 27, 2003.) Persons who distribute or cause to be distributed any article of tangible personal property, except newspapers, the primary purpose of which is to promote the sale of products or services are subject to use tax on the value of the property. WAC 458-20-17803 explains how use tax applies when such property is delivered to persons other than the consumer from outside Washington State. This rule explains what are considered to be promotional materials, who is liable for the use tax, the measure of use tax, and how to determine the appropriate local use tax rate/jurisdiction.
- 458-20-185** **Tax on tobacco products** – (effective July 3, 2003.) WAC 458-20-185 provides guidance to taxpayers necessary to meet the requirements of chapter 82.26 RCW, Tax on Tobacco Products. The rule explains who the taxpayer is, the measure of tax, credits available against the tax, and the recordkeeping requirements of those who handle tobacco products for sale. This rule has been amended to reflect changes to the law pursuant to chapter 325, Laws of 2002 (Initiative 773), and chapter 420, Laws of 1997.
- 458-20-208** **Exemptions for adjustments of new motor vehicle inventory between new car dealers and accommodation sales** – (effective April 17, 2003.) This rule explains the application of the B&O tax exemptions for wholesale sales of new motor vehicles between new car dealers and accommodation sales. The revised rule incorporates chapter 258, Laws of 2001, and incorporates information previously provided in Excise Tax Advisories (ETAs) 064.04.208 and 428.04.103/208.
- 458-20-210** **Sales of tangible personal property for farming – Sales of agricultural products by farmers** – (effective September 25, 2003.) The revised WAC 458-20-210 (Rule 210) provides tax reporting information for farmers and persons doing business with farmers. Rule 210 explains the application of B&O, retail sales, and use taxes to the sale and/or use of feed, seed, fertilizer, spray materials, and other tangible personal property for farm use, that was incorporated from WAC 458-20-122. A number of recent legislative changes affecting farmers and persons making sales to farmers were also incorporated into Rule 210.
- 458-20-24003** **Tax incentives for high technology** – (effective June 30, 2003.) WAC 458-20-24003 is a new rule that identifies and explains the sales and use tax deferrals for high technology businesses provided by chapter 82.63 RCW and the B&O tax credit for qualified research and development expenditures provided by RCW 82.04.4452.
- 458-20-251** **Sewerage collection businesses** – (effective October 12, 2003.) WAC 458-20-251 explains state tax application, particularly public utility and B&O taxes, to sewerage collection and related activities. The rule was amended to reflect a recent Washington State Supreme Court decision, *City of Spokane v. Department of Revenue*, 145 Wn.2d 445, 38 P.3d 1010 (2002). The amended rule describes and illustrates the difference between lateral sewers and intercepting sewers, which is

required to allocate a sewerage collection business's costs to determine the amount of revenue derived from sewerage collection activities subject to the public utility tax.

Excise tax rules (WACs) repealed:

458-20-122 **Sales of feed, seed, fertilizer, spray materials, and other tangible personal property for farm use** – (repealed effective September 25, 2003.) The information provided in this rule was incorporated in the revised WAC 458-20-210, above.

458-20-231 **Tax on internal distributions** – (repealed effective May 15, 2003.) WAC 458-20-231 explains the application of B&O tax on internal transfers of tangible personal property imposed by RCW 82.04.270. This tax, commonly referred to as the “internal distributions tax,” applied to persons distributing tangible personal property owned by them from a warehouse or other central location in this state to two or more of their own retail stores or outlets in this state. The rule was repealed because the information is no longer needed. This tax was repealed effective July 1, 1998, and does not apply to any period within the statutory claim period for refunds and/or assessments.

Property tax rules (WACs) adopted or amended:

458-07-020 **Revaluation of real property – Multiyear counties** – (effective November 27, 2003.) WAC 458-07-020 provides information about revaluation of real property for property taxation purposes in counties that do not revalue all real property each year. The rule was revised to delete a reference to RCW 90.60.160, that has been decodified.

458-07-035 **Listing of property – Subdivisions and segregation of interests** – (effective November 27, 2003.) WAC 458-07-035 provides information about the listing and valuing of real property for purposes of property taxation. This rule was revised to incorporate recent legislation (chapter 23, Laws of 2003) that, except in certain circumstances, real property cannot be segregated for purposes of paying property taxes on a partial interest in the property unless all taxes and assessments on the entire parcel have been paid in full.

458-12-360 **Notice of change in value of real property** – (effective September 26, 2003.) WAC 458-12-360 explains the requirement of county assessors to provide notice to taxpayers of any change in the true and fair value of real property per RCW 84.40.045. The rule was revised to incorporate changes to RCW 84.40.045, the statute being implemented, and information provided in PTB 91-4 (Notice of Value Change) and PTB 91-18 (Revaluation Notice).

458-16A-100 Senior citizen and disabled person exemption—Definitions

458-16A-110 Senior citizen and disabled person exemption—Gross income

458-16A-115 Senior citizen and disabled person exemption—Adjusted gross income

458-16A-120 Senior citizen and disabled person exemption—Determining combined disposable income

458-16A-130 Senior citizen and disabled person exemption—Qualifications for exemption

458-16A-135 Senior citizen and disabled person exemption—Application procedures

458-16A-140 Senior citizen and disabled person exemption—Exemption described—Exemption granted—Freezing property values—(all effective May 3, 2003.)

458-16A-150 Senior citizen and disabled person exemption—Requirements for keeping the exemption—(effective August 29, 2003.)

The Department adopted these eight new rules for chapter 458-16A WAC to update information previously provided in eleven rules in chapter 458-16 WAC, which were repealed. The rules inform taxpayers, county assessors, and county treasurers about the property tax exemption granted

by RCW 84.36.381 to senior citizens and disabled persons. They provide guidance regarding statutory requirements for the exemption, documents an applicant for exemption must present, and the required timing for claiming exemption.

Property tax rules (WACs) repealed:

- 458-16-010** Senior citizen and disabled persons exemption—Definitions
- 458-16-011** Senior citizen and disabled persons exemption—Gross income
- 458-16-012** Senior citizen and disabled persons exemption—Adjusted gross income
- 458-16-013** Senior citizen and disabled persons exemption—Disposable income
- 458-16-020** Senior citizen and disabled persons exemption—Qualifications for exemption
- 458-16-022** Senior citizen and disabled persons exemption—Qualifications for cooperative housing
- 458-16-030** Senior citizen and disabled persons exemption—Claims
- 458-16-040** Senior citizen and disabled persons exemption—Denial—Appeal—Penalty—Perjury
- 458-16-060** Senior citizen and disabled persons exemption—Transfer of exemption
- 458-16-070** Senior citizen and disabled persons exemption—Cancellation
- 458-16-079** Senior citizen and disabled persons exemption—Refunds—Late filings—(all repealed effective May 3, 2003.)

(Refer to the explanation of the new rules in chapter 458-16A, above.)

Forest excise tax rules (WACs) adopted or amended:

- 458-40-660** **Timber excise tax – Stumpage value tables** – (effective January 1, 2003 and July 1, 2003.)
This rule is revised twice a year to provide the stumpage values used by harvesters of timber to calculate the timber excise tax. This rule was revised to provide the stumpage values to be used during the first and second halves of 2003.

Special program rules (WACs) adopted or amended:

- 458-17-101** **Assessment and taxation of ships and vessels** – (effective August 29, 2003.) WAC 458-17-101 is a new rule explaining the application of the state property tax on commercial ships and vessels. It describes the ship or vessel owner’s obligations, the methods of determining tax liability, and the requirements for exemption from, or apportionment of, the tax. This new rule updates and incorporates information from four existing rules that were repealed.

- 458-61-100** **Real estate excise tax – Refunds of tax paid** – (effective September 25, 2003.) WAC 458-61-100 explains how and when a person may petition for a refund of real estate excise taxes. This rule was amended to clarify when and what tax may be refunded when a real estate transaction is completely rescinded.

Special program rules (WACs) repealed:

- 458-17-105** Ships and Vessels—Definitions
- 458-17-110** Ships and Vessels—Subject to property taxation
- 458-17-115** Ships and Vessels—Listing
- 458-17-120** Ships and Vessels—Apportionment of value – (all repealed effective August 29, 2003.)

(Refer to the explanation of WAC 458-17-101, above.)

2003 Changes to Interpretive/Policy Statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories (ETAs), Interim Audit Guidelines (IAGs), and Property Tax Advisories (PTAs) to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

ETA Excise Tax Advisories

Issued:

2002.16.179	(5 th Revision) Low-density light and power utility deduction
2003-5s	Cancellation of excise tax advisories
2009-1s.32	BTA Nonaquiescence
2011.32	Withdrawal of published determination (Det. 89-38, 7 WTD 125)
2011.1s-32	Withdrawal of published determination (Det. 97-111ER, 19 WTD 116)
2011-2s.32	Withdrawal of published determination (Det. 98-101, 18 WTD 260)
20012	Manufacturers' machinery and equipment exemption
2012-1S	Rental of tangible personal property and rental of equipment with an operator
2012-2S	Pollution control equipment
2012-3S	Electrical apparatus and utility system
2012-4S	Devices
2012-5S	Design and product development
2012-6S	Manufacturing site
2012-7S	Buildings, fixtures, and support facilities
2012-8S	Computers
2012-9S	Prototypes
2013.57.015	QTIP elections and Washington's estate tax
2014.08.193	Sales to nonresidents of jurisdictions imposing a sales tax of less than three percent
2015.27	Measure of the enhanced food fish tax for persons with a direct retail endorsement
2016.04.111	Temporary staffing companies
Cancelled:	
63.04.231	Transfer and loading stations
64.04.208	Intercompany loans of gasoline, oil, and similar products
65.04.231	Transfers from tank farms to bulk plants
90-001	A statement of purpose and intent with respect to issues involving employee placement businesses and their clients
151.04.231	Wholesaling functions tax on distributions between retail stores
173.04.103	Seed furnished under grower contracts
190.04.210	Feeding and fattening cattle and the agricultural products exemption
237.08.125	Sales tax exemption for sales of cattle and milk cows
316.08.193	Sales to nonresidents
359.04.231	Inventory transfers to branches prior to opening
406.08.125	Sales of quarter horses
428.04.103.208	Exchange agreements involving inventory
445.04.243	Litter tax on food and beverages
559.08.214	Sales and rentals of fruit bins

IAG Interim Audit Guideline

Issued:

05.03	Taxability of reagents, controls, and calibrators
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PTA Property Tax Advisories

Issued:

4.1.2003	Specific question pertaining to the administration and qualification of the land on which a residence is sited for property classified as farm and agricultural land under chapter 84.34 RCW
7.0.2003	Sales tax as an element of value
8.0.2002	Appraisal of bed and breakfast establishments
9.0.2003	Assessment of supplies
10.0.2003	"True lease" or security agreement
11.0.2003	Application of the Soldiers' and Sailors' Civil Relief Act of 1940 to property tax administration
12.0.2003	Classification of land used for Christmas tree production

Cancelled (includes Property Tax Bulletins):

4.0.2000	Specific question pertaining to the administration and qualification of the land on which a residence is sited for property classified as farm and agricultural land under chapter 84.34 RCW
75-1	Sales tax as an element of value
86-1	Classification of land used for Christmas tree production
89-2	Appraisal of bed and breakfast establishments
90-3	Assessment of supplies
91-15	Application of the Soldiers and Sailors Civil Relief Act of 1940 to property tax administration
97-2	"True lease" or security agreement

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