



Tax Facts

We can help with your tax reporting questions

If you need help completing your tax return, 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 annual Department of Revenue tax return. Select *Annual Taxpayers* under "Quick Clicks" to find all of the resources you need at your fingertips, 24 hours a day. You can also update your account information, change your address, or close your account online. Simply click on the *Doing Business* tab, then select *Your Account* from the menu on the left of your screen.

Automated Telephone Services

Our toll free automated services allow you to access forms and information, as well as 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 many available options.

Telephone Information Center

Call us at **1-800-647-7706** for personal assistance. We have extended our hours during the month of **January** to 7:30 am to 5:30 pm, Monday through Friday.

In January, our phone lines become very busy. To avoid long waits:

- ◆ Call early in the month, before January 14.
- ◆ 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, B&O Activities Tax Return, or Retailing and Other Activities Tax Return*.
- ◆ Have your gross income figures (not including any sales tax collected) available to complete the return.
- ◆ Stay on the line and be patient – we answer every call in the order received.

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Join the pack!

✓ 92,500 filers and counting ...



FOR MORE INFORMATION, CLICK ON THE E-FILE ICON AT
[HTTP://DOR.WA.GOV](http://DOR.WA.GOV) OR CALL 1-877-345-3353



Get it right! Hints for completing your tax return

Mail your completed return so the envelope is postmarked on or before the January 31, 2005, due 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, from our home page click on *Contact Us*, then “Local Offices” on the left side of the screen or call 1-800-647-7706.

Use the tax return form we mail to you

- ◆ Please use the form you receive in the mail when filing your annual 2004 taxes. Photocopied returns cannot be processed by our automated return processing system.
- ◆ Use black ink when completing a paper return.
- ◆ Avoid paper returns altogether – file electronically.

You must file a tax return, even if you had no business activity or owe no tax

- ◆ File a “no business” return electronically. See page one for more information on electronic filing.
- ◆ Another option is to tele-file a “no business” return using our automated telephone service at **1-800-647-7706**.
- ◆ To file a “no business” paper return, just check the “no business activity” box on the front page of the return.

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 Rate and Changes Flyer* available on our web site under *Forms*, then *Excise Tax Returns and Information*.

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 such products. For more details, see WAC 458-20-243. Access the WAC from our home page by clicking on *Laws and Rules* or call to request a copy.
- ◆ If you need help determining whether you owe litter tax, call our Telephone Information Center at **1-800-647-7706**.

Finishing up

- ◆ Sign the return, date it, and include a daytime phone number.
- ◆ Keep a copy (either photocopy or worksheet) of the tax return for your records before mailing the return.
- ◆ Use the self-addressed envelope provided when mailing back the tax return.

Pay your Department of Revenue invoices/billings electronically

As of June 1, 2004, taxpayers have the ability to pay Department of Revenue invoices electronically. This new feature is offered only to taxpayers registered for E-file.

The new electronic payment option allows you to pay:

- ◆ Balance due assessments
- ◆ Unpaid tax returns
- ◆ Tax assessments

You can pay by:

- ◆ Credit card (American Express or Discover)
- ◆ Electronic funds transfer debit
- ◆ E-check

Access the electronic payment feature from our home page by entering the *E-file* system. Click on *Account Information* to see the outstanding invoices on your tax registration, if there are any. You can find *Account Information* at the bottom of the *Business Account Information* page while in E-file. Then choose your method of electronic payment. It's quick, easy, and available for E-filers now.



New! Online guides provide detailed information for you

Appeals Guide

The new online Appeals section provides comprehensive information on appealing a Department of Revenue invoice or ruling. If you need to know the process for appealing an invoice that's been billed or if you just want to become familiar with the appeals procedure, click on *Doing Business*, then select *How do I file an appeal?* Along with a link to the Appeals Petition form, topics include:

- ◇ Scenarios when filing an appeal is appropriate
- ◇ Starting the appeals process
- ◇ What to expect in an appeals hearing
- ◇ Decisions and reconsiderations

Business Tax Guide

Our new Business Tax Guide was completely revised in 2004 to provide new businesses with information on an array of topics. To view the guide from our home page, click on *Doing Business*, then "New Business Information" then select "Business Tax Guide" under *What you'll receive in your packet*, or request a copy by calling 1-800-647-7706. Topics include:

- ◇ Business registration requirements
- ◇ Basic information on Washington's B&O, sales, and use taxes
- ◇ Methods of filing tax returns, including electronic and paper filing
- ◇ Service directory

Out-of-State Business Tax Guide

This guide was developed to provide information on Washington taxes to businesses located out-of-state that perform services or make sales in Washington. To view the guide, click on *Doing Business* from our home page, then select "Out-of-State Business" under *Helpful Information*, or request a copy by calling 1-800-647-7706. Topics include:

- ◇ Washington's major excise taxes
- ◇ Nexus in Washington
- ◇ When to register your business and how to do so
- ◇ Voluntary disclosure

School District Tax Guide

This publication assists school districts in determining their tax reporting and payment obligations. To view the guide, click on *Taxes* from our home page, then select "Industry Specific Information" under *Helpful Information*, or request a copy by calling 1-800-647-7706. Topics include:

- ◇ Purchases subject to sales tax and purchases exempt from sales tax
- ◇ Food services
- ◇ Enterprise and non-enterprise activities
- ◇ Student stores and ASB fundraising

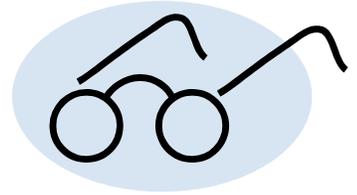
Special Notices

The following Special Notices were issued in the last six months. These notices discuss current issues as well as changes resulting from new legislation. They are available online by visiting <http://dor.wa.gov> and clicking on “Special Notices” under *Quick Clicks*. You may also call 1-800-647-7706.

Aircraft Prototype Exemption notes that the administration of this tax exemption was revised, effective July 1, 2004.

Estate Tax Filing Requirements – Updated 2004 updates a notice previously issued and details the differences between Washington’s and the federal government’s estate tax reporting requirements.

Eyeglass Frames and Medical Items discusses the limited changes to sales tax application for prescription drugs and medical items sold in Washington. The changes are a result of 2003 and 2004 legislation.



Gift Certificates and Gift Cards – Changes for Businesses/holders provides information on 2004 law changes regarding gift certificates and gift cards.

High Technology Business Tax Incentives discusses the changes for tax incentives for high technology businesses resulting from 2004 legislation.

Rentals of Motorized Recreational Vehicles (RVs) and Motor Homes explains the correct tax applications for rental car tax or motor vehicle tax for rentals of motorized RVs and motor homes.

Taxability of the Charter Boat Industry updates a notice previously issued to reflect current Department policies on charges for “skipped charters.”

Water Rights Transfers Subject to the Real Estate Excise Tax explains when real estate excise tax applies to water rights that are transferred separately from the land.

Check 21 - Changes that will affect you

As you may have noticed, check processing has recently changed. The Check Clearing for the 21st Century Act (“Check 21”) was enacted in October 2003 and took effect October 28, 2004. Check 21 affects businesses and consumers in several ways, most notably:

- ◆ Your original paper checks or cancelled checks won’t be returned to you with your bank statement. Instead, your bank will image them and save the image. The truncated (reduced in size) check becomes the legal equivalent of the original check. The original check will be held by a bank other than your bank from 30 to 90 days (depending on bank policy) and then destroyed.

You must decide whether to receive a substitute or not. There may be a charge for reconvertng the image to a paper document. If you need a copy as proof of payment, you will get an image that is smaller than the original, but will serve as legal proof.

- ◆ Checks will clear sooner and you will lose the “float” time before checks clear. This change may cause an initial increase in checks returned for nonsufficient funds. Bad checks will be presented to your bank within two days, as opposed to taking many days to weeks in the past. When you write a check, make sure you have funds in your bank account to cover it.

Coming clean can pay off

Do you know a business that is operating in Washington but not registered to do so? Do them a favor and refer them to our Voluntary Disclosure program.

The Department's Voluntary Disclosure program was developed to encourage unregistered businesses operating in Washington to come forward to voluntarily register and pay prior tax obligations.

Businesses that voluntarily register with the Department of Revenue are able to take advantage of significant benefits through the program that include:

- ◆ A limited look-back period of four years versus seven years.
- ◆ Penalties are partially or fully waived.
- ◆ Anonymity for qualified companies until negotiations are completed.

Unregistered businesses that are discovered through the state's tax discovery or audit investigations are subject to tax, interest, 25 percent late penalties, and an additional five percent assessment penalty for a period of seven-plus years.

For information on qualifying and applying for the Voluntary Disclosure program, select the *Doing Business* tab, then click on "Voluntary Disclosure" under *How do I*.

Questions & Answers

Q. Does sales tax apply to prescription eyeglass frames?

- A. No. Effective July 1, 2004, eyeglass frames sold for use with prescription lenses are exempt from retail sales tax. Previously, only prescription lenses were exempt from tax. The exemption provided by SB 5783 (Chapter 168, Laws of 2003) also includes all charges for repair and replacement parts.

The exemption does not extend to frames for nonprescription sunglasses, nonprescription reading glasses, or other nonprescription lenses.

Q. What determines the retail sales tax rate you pay or charge?

- A. The "place of sale" determines the rate of sales tax to charge. In addition, the type of transaction involved affects the applicable sales tax rate for a transaction, for instance, whether it is a sale of goods, a retail service, or a lease or rental.
- For sales of tangible personal property, the tax rate is determined by the seller's location from which delivery of the property is made.
 - For retail services, such as construction contractors, installation work, hotels, or physical fitness services, the tax rate is determined by the location where the services are primarily performed.
 - For rentals or leases of tangible personal property, the tax rate depends on the lease terms.
 - If 30 days or under, the tax rate is determined by the lessor's place of business.
 - If the rental/lease is over 30 days, the tax rate is determined by the place where the leased equipment is primarily being used.

For additional information, see WAC 458-20-145.

Fair and Accurate Credit Transactions Act

The federal Fair and Accurate Credit Transactions Act, signed into law on December 3, 2003, provides a number of provisions to expand access to credit and other financial services for consumers and new tools to confront and prevent identity theft.

One such provision requires retailers to leave all but the last five digits of a credit card number off of their store receipts. This ensures that the credit card receipts that most consumers throw away do not contain a key to their financial identities. Retailers, be aware that:

- As of January 1, 2005, new cash registers and point-of-sale terminals must print receipts with truncated (shortened) account numbers.
- Retailers have until December 4, 2006, to phase out any existing registers or terminals that print full account numbers on receipts.

Rule making

Following is a listing of the Department of Revenue's excise tax rule adoptions and repeals during the last six months. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov> by clicking on *Laws and Rules*, then "rule-making activities" in the first bullet or call our Telephone Information Center at **1-800-647-7706**.

Excise tax rules (WACs) adopted or amended:

- 458-20-102** **Resale Certificates** – effective September 9, 2004.
- 458-20-104** **Small business tax relief based on income of business** – effective July 31, 2004.
- 458-20-150** **Optometrists, ophthalmologists, and opticians** – effective September 9, 2004.
- 458-20-151** **Dentists and other health care providers, dental laboratories, and dental technicians** – effective September 9, 2004.
- 458-20-207** **Legal, arbitration, and mediation services** – effective July 19, 2004.
- 458-20-208** **Exemptions for wholesale sales of new motor vehicles between new car dealers and for accommodation sales** – effective September 9, 2004.

Forest tax rules (WACs) adopted or amended:

- 458-40-660** **Timber excise tax – Stumpage value tables** – effective July 1, 2004.
- 458-40-640** **Timber excise tax – Stumpage value area (map)** – effective July 30, 2004.

Property tax rules (WACs) adopted or amended:

- 458-16-1000** **Property belonging to federally recognized Indian tribes – Definitions – Exemption – Declaration process – Appeal rights** - emergency rule effective October 1, 2004.

Changes to interpretive/policy statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories (ETAs) 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.

Excise tax advisories (ETAs) issued:

- 2002-16.179** **Low-density light and power utility deduction** – effective June 29, 2004. (6th revision)
- 2009-2S.32** **BTA Nonacquiescence** – revised effective October 18, 2004.
- 2009-1S.32** **BTA Nonacquiescence** – revised effective October 18, 2004.
- 2009.32** **BTA Nonacquiescence** – revised effective October 18, 2004.
- 2017-04.08** **National Streamlined Sales and Use Tax Agreement – Definition of “tangible personal property”** – effective July 1, 2004.

ETAs cancelled – all effective June 30, 2004

- 126.16.193** **Storage and handling of grain for export**
- 143.04.193** **Sales of flour to government for export**
- 299.32.229** **Retail sales tax refunds**
- 378.08.166** **Transient guests – message service charges**
- 512.08.244** **Food products sold through convenience food sales locations**
- 514.08.244** **Dietary supplements**
- 536.04.08.51/18801** **Kidney dialysis machines and heart pacemakers sales and use tax exemption**

Property tax advisories (PTAs) issued:

- 13.0.2004** **Impact of local zoning ordinances on property tax exemptions granted under Chapter 84.36 RCW** – effective July 30, 2004.



Tax workshops

Looking for a free tax workshop in your area? Check out our web site! We offer workshops free of charge throughout the state. To view the updated schedule, register for a workshop, or for more information, visit our web site at <http://dor.wa.gov> and click on *Doing Business* then “workshops” from the menu to the left of your screen.

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

Business Outreach Workshops are continually offered and provide a basic overview of taxes that apply to various business activities in Washington. Workshops will be held at the locations listed below:

| DATE | LOCATION | ADDRESS | TIME |
|---------|--------------|---|-----------------------------|
| 1/11/05 | Port Angeles | Port Angeles City Hall Council Chambers, 321 East 5th Street, Port Angeles (To register, please call (360) 457-2564) | 9:00 - 12:00 |
| 1/12/05 | Bellingham | Worksource Office, 101 Prospect St, Suite 10, Conference Room (To register, please call (360) 738-6111) | 9:00 - 12:00 |
| 1/12/05 | Tacoma | University Place Library, 3605 Bridgeport Way West, University Place (To register, please call (253) 593-2722) | 1:00 - 4:00 |
| 1/18/05 | Wenatchee | Douglas County Fire District, 377 Eastmont Ave, East Wenatchee (To register, please call (509) 663-9741) | 1:30 - 4:30 |
| 1/19/05 | SeaTac | SeaTac City Hall, 4800 South 188th Street (To register, please call (253) 437-3440) | 1:00 - 4:00 |
| 1/19/05 | Bremerton | Central Kitsap Regional Library, Heninger Room, 1301 Sylvan Way (To register, please call 1-800-647-7706) | 10:00 - 12:00 |
| 1/19/05 | Vancouver | Department of Revenue Training Room, 8008 NE Fourth Plain Boulevard, Suite 340 (To register, please call (360) 260-6178) | 9:00 - 12:00 |
| 1/20/05 | Bellevue | Bellevue City Hall, Council Chambers, 11511 Main St (To register, please call (425) 452-6851) | 1:00 - 4:00 |
| 2/2/05 | Seattle | Department of Revenue, 2101 4th Ave, Suite 1400 (To register, please call (206) 956-3000) | 1:00 - 4:00 |
| 2/8/05 | Bellingham | Worksource Office, 101 Prospect St, Suite 10, Conference Room (To register, please call (360) 738-6111) | 12:00 - 4:00 |
| 2/15/05 | Wenatchee | Douglas County Fire District, 377 Eastmont Ave, East Wenatchee (To register, please call (509) 663-9741) | 1:30 - 4:30 |
| 2/16/05 | Vancouver | Department of Revenue Training Room, 8008 NE Fourth Plain Boulevard, Suite 340 (To register, please call (360) 260-6178) | 9:00 - 12:00 1:00 - 4:00 |

Lodging Industry Workshop provides lodging businesses an opportunity to learn how excise taxes apply to their various specialized services and charges. The workshop was designed specifically for owners and operators of: hotels and motels, rooming/boarding houses, resorts, summer camps, bed and breakfasts (B&Bs), and trailer or RV parks/camps.

| DATE | LOCATION | ADDRESS | TIME |
|--------|----------|--|---------------|
| 2/8/05 | SeaTac | SeaTac Occupational Skills Center, Yorkmark Conference Room, 18010 8th Ave South (Register online or call 1-800-647-7706) | 10:00 - 12:00 |

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715.
Teletype (TTY) users please call 1-800-451-7985.



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