

Reminder

Annual Filing Deadline is January 31

Use E-file this year! It's convenient, easy, and secure.

And now you can pay by VISA or MasterCard.

See our web site at <http://dor.wa.gov>.

Need Assistance? We're Here to Help

Telephone Information Center

1-800-647-7706

Call us for personal assistance from 8 a.m. to 5 p.m. Monday through Friday. In January, the phone lines become very busy. To avoid long waits:

- Call early in the month. Have your tax return and UBI/Tax Registration Number available. This nine-digit number is printed on your tax return, above the name and address label.
- Know the type of return you've received – Combined Excise Tax Return, Sales Tax Remittance Return, Business and Occupation 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.

Automated Telephone Services

Our toll free automated services allow you to:

- Access forms and information
- Change address information
- Close your business account
- Make other changes to your account

Simply call 1-800-647-7706 and select from the many available options.

Internet/Electronic Services

<http://dor.wa.gov>

Our web site can save you time in completing and filing your excise tax return. Select "Annual Filers" under "Quick Clicks" to find all the resources you'll need. You can also update or change your account information or close your account online. Simply click on the "Doing Business" tab, then select "Your Account" from the menu on the left.

Update and Maintain Your Account Online

Now you can update your account information real-time. No more waiting for a manual update on your account.

You can update your:

- Mailing address, phone, fax and e-mail
- Business location changes or closures
- Account closures

To use this service, sign up for Online Services. If you are already signed up for Online Services, click on Update My Account or Close My Account from your account information page to begin.

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TaxFacts

Tax Return Tips

No Business Activity Returns or No Tax Owed

You must file a tax return even if you did not have any business activity or do not owe any tax. You can choose from three options when filing a “no business” tax return:

- Electronic filing – go to our web site at <http://dor.wa.gov> and click on the E-file logo.
- Tele-file service – use our automated service to file a “no business” return at 1-800-647-7706.
- Paper tax return:
 - Use the tax return we mailed to you
 - Check the “no business activity” box on the front of the form
 - Sign and date the return
 - Use the self-address envelope provided to mail the tax return

Filing Regular Tax Returns

Electronic filing

- Using E-file is fast, simple and accurate.
- Choose from various electronic payment choices: VISA, MasterCard, Discover, American Express, E-check and electronic funds transfer.
- Go to our web site at <http://dor.wa.gov> and click on the E-file logo.

Paper filing

- Use the tax return we mailed to you.
- Follow the tax return instructions mailed with your return.
- Please use black ink – it makes the numbers easier to read.
- Sign and date the return and include a daytime phone number, including area code.
- Keep a copy for your records.
- Use the self-addressed envelope provided to mail the tax return.
- Mail the completed return so the envelope is postmarked no later than January 31, 2007 or hand deliver your return to any of our local offices before January 31, 2007. (See page 8 for an office directory.)

Remember to check for...

Local sales/use tax

To determine local rates and codes, use our online Tax Rate Lookup tool on our web site or the Local Sales & Use Tax Rate and Changes Annual Summary included with your paper tax return.

Small business B&O tax credit

Remember to take the small business tax credit if the amount of B&O tax you owe for the year is less than \$840. The instructions on calculating the credit were included with your paper tax return.

Litter tax

Retailers, wholesalers and manufacturers may owe litter tax on their gross sales of certain products. If you need help to figure out if you owe litter tax, see our online article at <http://dor.wa.gov>, click on the Taxes tab, then scroll down to Litter Tax or call the Telephone Information Center at 1-800-647-7706.

So easy, it's almost fun

Don't dread another filing deadline, discover the freedom of electronic filing. E-file is fast, secure, and simple to use. And now, E-filers can pay with VISA or MasterCard. How's that for convenience? Over 120,000 businesses E-filed last year. You can get connected in minutes and save hours preparing your next tax return.

<http://dor.wa.gov>



Need help? 1-877-345-3353

Nonresident Consumer Purchases and Washington Sales Tax

Generally, Washington retailers must charge sales tax to nonresident buyers from other states or foreign countries on their purchases of tangible personal property while in Washington. The only situations where purchases of tangible personal property by nonresident buyers are exempt from sales tax are when:

- The seller ships the item directly to the buyer's out-of-state address. In such cases, delivery is not taken in Washington, so the sale is exempt from Washington sales tax as an “interstate/foreign” sale. (See WAC 458-20-193.)
- The buyer gives the seller a completed Washington resale certificate.
- The nonresident buyer is from a state, Canadian province, or U.S. possession that has a sales tax rate of less than three percent and the item purchased is tangible personal property for use outside of Washington. The exemption does not apply to labor, meals, hotels, etc., purchased and consumed in Washington. This exemption is available at the retailer's discretion and the retailer must examine and keep a record of a piece of identification that establishes the nonresident buyer's residency in a qualifying jurisdiction. (For more information, see ETA 2014.08.193.)
- A nonresident buyer purchases a motor vehicle, camper, or trailer under the authority of a valid trip permit or with license plates from their home state. (For additional qualifying requirements, see WAC 458-20-177.)
- A nonresident buyer purchases a vessel for use outside this state. The exemption provided by RCW 82.08.0266 applies to nonresidents for watercraft requiring US Coast Guard documentation or registration with the state in which the vessel will be principally used. The exemption under RCW 82.08.02665 applies to sales made to foreign residents. (For additional requirements, see WAC 458-20-238.)

Please note, all of these exemptions take place at the time of sale. The law does not provide for any refunds to nonresident buyers after the sale is complete.

Is there a tax incentive program for you?

A number of new tax incentive programs have been initiated in Washington over the past several years. In addition, several existing programs have been expanded so that new and existing manufacturers, research and development firms, and certain high technology companies can benefit.

Tax Incentive Programs

- Manufacturing in rural counties
- High technology industries: research & development, manufacturing, services
- Aerospace industry
- Renewable energy (solar, wind, certain types of anaerobic digesters, and biofuel)
- Food processing industry
- Semiconductor industry
- Aluminum smelting industry
- Farming & agriculture
- Biotechnology industry – manufacturing
- Electrolyte processing industry

Check our web site to see if you qualify for any of the programs. Click on "Tax Incentives" under "Quick Clicks" on our home page at <http://dor.wa.gov>.

Workshops on manufacturing tax incentives are scheduled for SeaTac and Spokane in early 2007. See page 6 for specific information.

Commute Trip Reduction Reminder

Employers or property managers that provided commute trip reduction incentives to or on behalf of their own or other employees during calendar year 2006 are eligible to apply for a commute trip reduction credit.

To be eligible for the credit, employers or property managers must complete an online application. The Department must receive the application between January 1 and January 31, 2007. The credit may not exceed \$60 per employee per year. In addition, there is a state wide credit cap of \$2,750,000 and an individual business cap of \$200,000.

Complete information can be found online at <http://dor.wa.gov>.

New Tax Exemption for Eligible Farmers

Beginning July 1, 2006, Substitute House Bill 2457 gave eligible farmers a sales and use tax exemption on replacement parts for qualified machinery and equipment. This exemption applies to replacements of existing parts on qualifying farm machinery and equipment.

Before claiming this exemption, eligible farmers must apply to the Department of Revenue for an Exemption Certificate for Replacement Parts for Farm Machinery and Equipment. This certificate is issued directly by the Department to a specific qualifying farmer. No other certificate or form may be used or accepted by vendors for the exemption.

An eligible farmer is someone who:

- Grows, raises, or produces agricultural products upon his/her own land or land that he/she has a present right of possession; and
- Generates at least \$10,000 in gross income from sales of such products in the calendar year immediately before applying for the exemption.

For more information, see our Special Notice "Replacement Parts for Farm Machinery and Equipment – Sales and Use Tax Exemption" and the Q&A section on replacement parts for farm equipment. Both are available on our web site at <http://dor.wa.gov>.

Penalties on Assessments Modified

The five percent assessment penalty previously added to all billings and assessments issued by the Department of Revenue now applies only in certain instances, due to legislation passed in 2006.

As of July 1, 2006, for any assessments issued on or after that date, the five percent assessment penalty only applies to billings or assessments where the tax due was substantially underpaid. "Substantially underpaid" means:

1. Less than 80 percent of the actual tax owed was paid; and
2. The underpayment was \$1,000 or more for the entire period covered by the Department's examination.

Examples of assessments or billings include:

- Tax assessments resulting from an audit,
- Notices of balance due issued because of underpayments or mistakes made on tax returns, and
- Tax assessments resulting from failing to file tax returns.

Notice to Auto Repair Facilities

Under Washington's Auto Repair Law, chapter 46.71 RCW, customers are entitled to:

1. A written estimate for repairs that exceed \$100, unless waived or absent face-to-face contact (see item 4).
2. Return or inspection of all replaced parts, if requested at the time repair is authorized.
3. Authorize orally or in writing any repairs exceeding the estimated total pre-sales tax cost by more than 10 percent.
4. Authorize orally or in writing any repairs if the customer's vehicle is left with the facility without face-to-face contact between the customer and the repair facility personnel.
5. An invoice copy clearly and accurately listing all work performed and parts supplied.

Repair facilities that don't comply with these requirements can't file a possessory or chattel lien for unauthorized parts or labor on the motor vehicle or component. For more information or to obtain a repair notice sign to post at your place of business, call us at 1-800-647-7706.

Two Programs Assist Seniors and Disabled Pay Property Taxes

The state's Property Tax Exemption and Property Tax Deferral programs are designed to help senior citizens and disabled persons pay their property taxes and/or special assessments. Your household income, age, and disability status will determine if you are eligible for the programs.

Property Tax Exemption Program

At a Glance

Under the exemption program, the value of your residence is frozen at the current assessed value for property tax purposes. You then become exempt from all excess and special levies, and possibly regular levies, resulting in a reduction in your property taxes. The exemption is available for a primary residence and one acre of land. However, if local zoning and land use regulations require more than one acre of land per residence, you may be eligible for a property tax exemption on up to five acres of land. A mobile home may qualify, even if the land where the mobile home is located is leased or rented.

To be eligible for this program, you must meet the age or disability, ownership, residency, and income requirements. Please see accompanying chart for details.

Property Tax Levies Eligible for Exemption

The assessed value of your residence is "frozen" as of January 1, 1995, or January 1 of the initial application year, whichever is later. If your annual disposable income for the application year is \$35,000 or less, your home will be exempt from all excess and special levies. In addition, if your income is \$30,000 or less, a portion of the regular levy amount may be exempt. Thus, if your household income is between \$25,001 and \$30,000, you are exempt from regular levies on \$50,000 or 35 percent of the assessed value, whichever is greater (but not more than \$70,000 of the assessed value).

For example:

Household Income:	\$ 26,000
Assessed home value:	\$150,000
Taxable property value:	$\$150,000 - \$52,500 = \$97,500$ (35% of \$150,000 = \$52,500)

Likewise, if your household income is \$25,000 or less, you are exempt from regular levies on the first \$60,000 or 60 percent of your home's assessed value, whichever is greater.

For example:

Household income:	\$ 12,000
Assessed home value:	\$150,000
Taxable property value:	$\$150,000 - \$90,000 = \$60,000$ (60% of \$150,000 = \$90,000)

Renew Applications Every Four Years

A renewal application is required at least once every four years. After your initial application and approval, you will be notified by your county assessor when it is time to submit a renewal application.

More Information

Your local county assessor will be able to provide further information about computing disposable income, deductions from disposable income, how to apply for the exemption, the appeal process, how to get a refund from a previous year, and other important details.

For more information on the Property Tax Exemption program, contact your local county assessor or visit <http://www.mrsc.org/byndmrsc/counties.aspx>.

Property Tax Deferral Program

At a Glance

Under the deferral program, the Department of Revenue pays the property taxes and/or special assessments on your behalf. (A special assessment, also known as Local Improvement Districts or Utility Local Improvement Districts, is for a local improvement that directly benefits your property. Examples include assessments for sewer, lights, water, paving, or curbing.) The deferred amount, plus interest, becomes a lien in favor of the state until the total amount is repaid. Repayment is made directly to the Department of Revenue and the annual interest rate for deferrals made after January 1, 2007 is five percent. Property tax deferral is available for a primary residence and one acre of land. However, if local zoning and land use regulations require more than one acre of land per residence, you may be eligible for a property tax deferral on up to five acres of land. A mobile home may qualify, even if the land where the mobile home is located is leased or rented.

To be eligible for this program, you must meet the age or disability, ownership, residency, and income requirements. Please see accompanying chart for details.

Annual Application

The deferral is not automatic and you must file a renewal application each year you want to defer your taxes and/or special assessments. If you are deferring special assessments, you must choose the installment payment method if it is available.

More Information

Your local county assessor will be able to provide further information about insurance coverage, property taxes and special assessments, how to calculate disposable income, what constitutes disposable income deductions, how to apply for the deferral, and other important details.

For more information on the Property Tax Deferral program, contact your local county assessor or visit <http://www.mrsc.org/byndmrsc/counties.aspx>.

Property Tax Assistance Eligibility Requirements

	Deferral Program	Exemption Program
Age OR Disability	60 years old on December 31 of application year OR Unable to work due to disability	61 years old on December 31 of application year OR <ul style="list-style-type: none"> Unable to work due to disability Veteran with 100% service connected disability
Disposable income level	Cannot exceed \$40,000 * (including you, your spouse & co-tenants)	Cannot exceed \$35,000 (including you, your spouse & co-tenants)
Property ownership	<ul style="list-style-type: none"> Fee owner; or Contract purchase Irrevocable trust may qualify 	<ul style="list-style-type: none"> Fee owner; or Contract purchase; or Life estate or lease for life; or Revocable trust may qualify
Residency	<ul style="list-style-type: none"> Principal home; and Occupy home for more than six months each year 	<ul style="list-style-type: none"> Principal home; and Occupy home for more than six months each year

* If your income is less than \$35,000, you must apply for the exemption program before you apply for the deferral program.

For detailed information about the exemption and deferral programs, contact your local county assessor or visit <http://www.mrsc.org/byndmrsc/counties.aspx>.

Special Notices

We recently issued the following Special Notices.

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 to have a copy sent to you.

Biotechnology Product & Medical Device Manufacturers – Tax Incentives – issued June 1, 2006.

Fruit and Vegetable Processors Tax Exemption – issued May 31, 2006.

Insurance Companies Tax Obligations – issued June 5, 2006.

Motion Picture Competitiveness Program Contributors – B&O Tax Credit – issued May 30, 2006.

Non-manufacturer Aerospace Tax Incentives – issued June 6, 2006.

Professional Employer Organizations – Deduction – issued June 2, 2006.

Seafood Processors Receive B&O Tax Exemption – issued May 26, 2006.

State Credit Unions – New Tax Exemption – issued June 6, 2006.

Truck Stop and Diesel Truck Owners – Tax Incentives – issued June 1, 2006.

Now Pay State Taxes with Your MasterCard or VISA Card

MasterCard and VISA credit cards have been added to the list of electronic payment options available for electronic filers. You must file your tax returns online using our E-file system or be a participant in the BillPay program to take advantage of credit card payment choices.

The convenience fee for processing credit card payments is now a simple flat rate of 2.5 percent (\$1 minimum) for all taxpayers. This flat fee replaces the old rolling scale which applied different rates for different cards and resulted in an average 3 percent fee for smaller businesses. The Department uses a third party provider to process electronic payments.

Other electronic payment options include American Express and Discover credit cards, electronic funds transfer and e-check.

Tax Workshops

We offer workshops free of charge throughout the state. To view the updated schedule or for more information, visit our web site at <http://dor.wa.gov>, click on Doing Business, then select "Workshops" from the menu on the left side.

Once you find the workshop that's right for you, register online or call us to sign up.

Manufacturing Tax Incentives

1/18/07 Burien 9 - 11 a.m.
SeaTac Occupational Skills Center, Yorkmark Conference Room, 18010 8th Ave S - **Register at <http://dor.wa.gov> or call (206) 433-2524**

1/18/07 Burien 1:30 - 3:30 p.m.
SeaTac Occupational Skills Center, Yorkmark Conference Room, 18010 8th Ave S - **Register at <http://dor.wa.gov> or call (206) 433-2524**

2/15/07 Spokane 1:30 - 3:30 p.m.
Spokane Community College, Sasquatch Meeting Room, 1810 N Greene St - **Register at <http://dor.wa.gov> or call 1-800-647-7706**

Business Outreach

These workshops provide a basic overview of taxes that apply to various business activities in Washington. Check our web site for dates and times.

Construction

This workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, public road construction, and construction on Indian land. In 2007, we will be conducting several workshops throughout the state, including Mount Vernon, Longview, Seattle, Aberdeen, Yakima, and Spokane. Check our web site for locations, dates, and times.

Free Workshops

Rule Making

Following is a list of the Department of Revenue's excise tax rules that were recently adopted and repealed. 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> and click on Laws and Rules, then one of the bullets under "Rule Making." You may also call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

- 458-20-24001 Sales and use tax deferral – Manufacturing and research/development activities in rural counties – Applications filed after March 31, 2004. Effective September 3, 2006.
- 458-20-24001A Sales and use tax deferral – Manufacturing and research/development activities in rural counties – Applications filed prior to April 1, 2004. Effective September 3, 2006.
- 458-20-24003 Tax incentives for high technology businesses. Effective September 30, 2006.
- 458-20-243 Litter tax. Effective September 23, 2006.
- 458-20-250 Solid waste collection tax. Effective June 26, 2006.
- 458-20-267 Annual reports for certain tax adjustments. Effective October 22, 2006.
- 458-20-270 Telephone program excise tax rates. Effective September 2, 2006.
- 458-20-272 Tire fee. Core deposits or credits. Effective June 26, 2006.
- 458-20-273 Renewable energy system cost recovery. Effective August 31, 2006.

Property tax rules (WAC) adopted or amended:

- Chapter 458-14 Boards of equalization. The entire chapter 458-14 WAC was amended to bring them into conformity with current law. Effective July 15, 2006.
- 458-16-180 Cemeteries. Effective October 22, 2006.
- 458-18-220 Refunds – Rate of interest. Effective November 16, 2006.
- 458-30-330 Open space plan and public benefit rating system – Authorization and procedure to establish – Adoption – Notice to owner – Valuation. Effective September 24, 2006.

Property tax rules (WAC) repealed:

- 458-30-335 Rating system – Procedure to establish. Effective September 24, 2006.
- 458-30-340 Rating system – Adoption – Notice to owner – Loss of classification. Effective September 24, 2006.

Telephone Information Center Hours

Monday - Friday 8 a.m. - 5 p.m.

(On Wednesdays, we open at 9 a.m.)

Forest tax rules (WAC) adopted or amended:

- 458-40-610 Timber excise tax – Definitions. Effective September 23, 2006.
- 458-40-660 Timber excise tax - Stumpage value tables - Stumpage value adjustments. Effective July 1, 2006.
- 458-40-690 Timber excise tax – Credit for property tax. Effective August 31, 2006.

Real estate excise tax rules (WAC) adopted or amended:

- 458-61A-207 Bankruptcy. Effective August 7, 2006.
- 458-61A-211 Mere change in identity or form – Family corporations and partnerships. Effective October 26, 2006.

Changes to interpretive/policy statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories and Property Tax Advisories, 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 adopted:

- 2002.16.179 Low density light and power utility deduction (Eighth Revision). Effective June 19, 2006.
- 2016.04.111 Staffing companies (Second Revision). Effective July 6, 2006.
- 2024.04.182 Storing, inspecting, testing, and labeling of canned salmon (First Revision). Effective May 26, 2006.
- 2032.04.194 Cost apportionment – Treatment of costs incurred for multiple purposes. Effective August 3, 2006.
- 2033.04 B&O tax exemption for property managers (RCW 82.04.394) – On-site personnel working at multiple properties. Effective October 16, 2006.

Taxpayer Services Division

Washington State Department of Revenue

PO Box 47478

Olympia, WA 98504-7478

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Field Office Locations

1904 Humboldt St Suite A
PO Box 1176
BELLINGHAM 98227-1176
(360) 676-2114

2101 4th Ave Suite 1400
SEATTLE 98121-2300
(206) 956-3000

734 E First St Suite B
PO Box 400
PORT ANGELES 98362-0064
(360) 457-2564

20819 72nd Ave South
Suite 680
KENT 98032
(253) 437-3440

6500 Linderson Way SW
Suite 102
TUMWATER 98501
(360) 705-6676

8008 NE 4th Plain Blvd
Suite 320
PO Box 1648
VANCOUVER 98668-1648
(360) 256-2060

9930 Evergreen Way
Suite Y-150
EVERETT 98204-3893
(425) 356-4800

1330 N. Washington
Suite 5600
SPOKANE 99201-2456
(509) 327-0200

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(509) 663-9714

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