



Tax Facts

Welcome to the new online version of Tax Facts

This twice-yearly publication summarizes changes to tax laws administered by the Department of Revenue. By making this document available online, we are able to provide more information than was possible in the paper version.

Find articles of interest

We invite you to scroll through the pages, or click on the title in the Table of Contents to move directly to an article of interest. Click the Revenue icon in the top left corner to return to the contents page. Additional links within the articles will take you to our [web site](#) where you can find more information on the topic.

Keep a copy for your files

This new format allows you to print the whole document or just print the pages with information related to your business. If you are going paperless, just download this document to your computer.

Stay informed

Tax Facts is published each June and December. [Back issues of Tax Facts](#) are available on our web site.

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Filing Your Tax Return

Tax Return Tips

If you have been assigned a reporting frequency, you must file a tax return even if you had no business activity and owe no taxes.

If you are an active nonreporting business and had business activity grossing over \$28K or were required to collect sales tax you must file a return.

Completing and filing your return online

E-file, the Department's online filing tool, is even easier now. Tutorials posted on the most commonly used pages provide filers with a step-by-step guide on how to complete the return. The tutorial also illustrates how you can customize your online return to show only the fields you need.

E-file offers automatic error checking and immediate delivery with a confirmation number. E-file also automatically calculates the small business, business and occupation (B&O) tax credit.

To use E-file, go to our web site at dor.wa.gov and click *File my taxes online*.

Completing and filing a paper return

Use the paper return we mailed to you or download a return from our [web site](#). Use black ink when completing the return. If you are mailing a check with your return, the payment must be received by the Department by the return due date or penalties and interest may apply.

Monthly filers please see the article on [mandatory electronic filing](#).

Filing due dates

November 2009 return due December 28, 2009

December 2009 return due January 25, 2010

Quarter 4, 2009 return due February 1, 2010

Annual 2009 return due February 1, 2010

If you had no business activity, choose one of these options:

- Logon to your [My account](#) and select *Report no business*.
- Tele-file a *no business* return using our automated telephone service at 1-800-647-7706.
- File a *no business* paper return by checking the *no business activity* box on the return.

Local sales/use tax changes

To find a location code and tax rate, see the [Local Sales and Use Tax Rate and Changes Flyer](#) included with your tax return or find it on our web site. Select [Find taxes and rates](#) from our home page, then select [List of sales and use tax rates](#).

You can also find the correct tax rate and location code using our online [Tax rate lookup tool](#).

Small business B&O tax credit

Don't forget to check if you qualify to take the [Small Business B&O Tax Credit](#). Instructions and a chart to calculate the credit are included with your tax return (E-file does this automatically).

Calculate the litter tax

Retailers, wholesalers, and manufacturers of certain products owe litter tax on the value of the product or the gross proceeds from the sales of these products. ([WAC 458-20-243](#))

Need help! Call for assistance at 1-800-647-7706



Filing Your Tax Return

Year-end tax filing questions? We can help!

Internet services: dor.wa.gov

Use our web site to find all the resources you'll need to complete and file your excise tax return. You can also update or change your business information or close your business online. Simply click on the *Doing business* tab, then find the service you need under the *My account* tab.

Automated telephone services: 1-800-647-7706

Our toll-free automated services provide many options that allow you to:

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

Telephone information center: 1-800-647-7706

Call us for assistance from 8 a.m. to 5 p.m., Monday through Friday. In January, the phone lines get very busy. To avoid a long wait, call early in the month. Other helpful tips include:

- Have your 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, 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.

Check Out E-file

Find out how flexible online filing can be.

E-file is fast, secure and simple to use. It also allows you to file your return early and, with electronic funds transfer, schedule your payment for the due date.





Filing Your Tax Return

New E-file option allows tax preparers to lock returns

If you prepare tax returns for others, you will find a new feature available in E-file this year. After completing a return, you can choose to “lock” it. You do this by clicking a Lock button near the bottom of the *Summary & Payment* page.

Once a return is locked, only the preparer, an account administrator and the Department’s E-file help desk have the ability to unlock it. The payer can log on, access the return and submit it along with payment to the Department, but the payer will not be able to change the information on the return.

Each time a tax return is locked or unlocked, a record of that event, along with the user ID of the person who initiated it, is stored in the business account activity log.

E-file is even easier with new tutorials

If you have yet to discover the advantages of filing online, now’s the time. The Department recently added page-specific tutorials to E-file that will help the novice filer complete and submit a tax return with confidence.

The tutorials address the most common questions new filers have. They also teach you how to customize your return so it shows only the fields you have to complete. To view the tutorial, just click the Tutorial icon near the upper right corner of the E-file page.

There are many advantages to filing electronically. E-file offers an automatic review to check for errors or missing information. It also offers guaranteed delivery and a confirmation code – no more last minute dashes to the Post Office. Also, when you file online, your return is stored for you in your account. You have 24/7 access to electronically filed returns.

To access E-file, go to our web site at dor.wa.gov and click on *File my taxes* online (E-file). If you don’t have an online account with us, click on *Join now* and follow the prompts.



Filing Your Tax Return

Federal tax deductions continue through 2009

The Emergency Economic Stabilization Act passed by the U.S. Congress and signed into law late last year, extended two federal income tax deductions for Washington State residents. The deductions are available through the 2009 tax year.

The act offers:

- A state and local sales tax deduction to residents who itemize deductions.
- A standard property tax deduction to all homeowners whether they itemize or not.

Sales tax deduction

What are the state and local sales tax rates?

The state sales tax rate is 6.5% and the local sales tax rate varies. See our list of local tax rates or use our [Tax rate look up tool](#) to find the rate at your residence.

What about the RTA Tax?

The Regional Transit Authority (RTA) tax qualifies for the federal sales tax deduction. The RTA tax is a part of the general sales tax in much of Snohomish, King, and Pierce Counties. Take a look at our local tax rate chart to see the tax rate for locations located within the RTA.

Can I deduct tax on gas or diesel?

No. The tax on gasoline and diesel for on-road use is not a sales tax. The federal deduction is for sales tax only.

What about the additional sales tax on motor vehicles?

The additional 0.3% tax that applies to sales of motor vehicles is not deductible, since this tax only applies to one class of property.

Property tax deduction

Taxpayers may take a standard deduction for property taxes of up to \$500 for a single return and \$1,000 for a joint return. The Department, working with the Washington Legislature House Finance Committee, estimates this deduction will save 877,000 households \$113 million for federal tax year 2009.

Most of the benefit will be seen by homeowners who don't itemize because they don't have sufficient deductions, including seniors who have little or no mortgage interest to deduct. More than 62 percent of Washington residents do not itemize their deductions on their federal tax returns. More information on the deduction is available at <http://www.irs.gov/newsroom/article/0,,id=202106,00.html>.



Filing Your Tax Return

Nonprofit exemption renewals available online

This year, the Department introduced an online option for nonprofit organizations to complete the annual renewal of their property tax exemption. The Nonprofit Electronic Annual Renewal System (NEARS) is available on our web site at dor.wa.gov.

Nonprofits can logon to the Department's *My account* system and then, using assigned access codes, access an electronic version of the Renewal Declaration for their specific properties.

This year, approximately 2,100 properties were renewed using this option. Not only did about 20% of all accounts use the electronic option in the first 90 days, it appears that more nonprofits renewed their property tax exemption on time in 2009 than ever before.

As the participation rate of electronic renewal grows, the Department hopes to reduce the high costs of mailing renewal notifications and processing them when they are returned. This is a continuation of our ongoing simplification initiatives that included eliminating basic application and renewal fees in 2007 and initiated electronic reporting to the assessors.

We are making minor adjustments to NEARS in the hope of getting 30% or more participation in early 2010. If you have comments about this process or questions about exemptions, please contact us at (360) 570-5864 or via e-mail at harolds@dor.wa.gov.



Filing Your Tax Return

2009 annual tax incentive reports/surveys

Businesses that took advantage of the **tax incentive** programs listed below must submit their **2009 Annual Tax Incentive Report and/or Survey by March 31, 2010.**

Electronic filing is required for many of the incentive programs; however we encourage everyone to file electronically. The system to electronically file the annual reports/surveys will be available in January 2010. To file online, go to dor.wa.gov and logon to *My account*. Once you're logged in, click on *Credits & Tax Incentives*, then *File Tax Incentive Report/Survey* and file the report. If you need help logging in, call 1-877-345-3353 or (360) 902-7079.

The 2009 Survey/Report has a new look this year. We improved the system to make filing easier. New features include: new layout, improved help buttons, improved error messages and overall error checking of your form.

- Aerospace FAR Part 145 Prepair Station Tax Incentives
- Aerospace Manufacturers Tax Incentives
- Aerospace Non-Manufacturing Tax Incentives
- Aluminum Smelter Tax Incentives
- Biotechnology & Medical Device Manufacturing Sales & Use Tax Deferral
- Cold Storage Warehouse Sales & Use Tax Deferral
- Customized Employment Training Credit
- Dairy Product B&O Tax Exemption
- Dairy Product Manufacturers Sales & Use Tax Deferral
- Electrolytic Processing Industry Incentives
- Fruit and Vegetables Processors Sales & Use Tax Deferral
- Fruit & Vegetable Processors B&O Tax Exemptions
- High Technology Business & Occupation (B&O) Tax Credit
- High Technology Sales & Use Tax Deferral
- Newspaper Industries Incentives
- Rural County Sales & Use Tax Deferral
- Semiconductor Cluster Incentives-Due April 30, 2010
- Solar Energy Systems Manufacturers Incentives
- Seafood Product Manufacturers Sales & Use Tax Deferral
- Seafood Product B&O Tax Exemption
- Timber Industry Incentives



Tools and Resources

Plan for and pay your taxes video (English and Spanish)

To help new businesses understand their tax reporting responsibilities, an online video called *Plan for and pay your taxes* was created. This project was a joint effort sponsored by the departments of Revenue, Labor and Industries, and Employment Security.

The video provides basic information that includes:

- Which taxes do I have to pay?
- What rate will I pay?
- How often – and when – must I file?
- How do I file and pay?

For businesses looking for more information, there are links and contact numbers at the end of the video. The video is available on our [web site](#) – in English at dor.wa.gov and in Spanish at dor.wa.gov/espanol/.

Update your business information

With the upcoming legislative session, there may be changes that affect your business. The Department works hard to notify businesses when these changes occur, but we can't reach you if we don't have your current contact information.

If you have an online account with the Department, we request that you [log on](#), select *Manage business account* and choose *Update business information*. If you don't have an online account, you can update your information by calling 1-800-647-7706.

Stay informed. Join our distribution lists

If you have an interest in a particular issue, chances are there is an email distribution list that will provide you with the most recent updates. Distribution lists can also provide you with filing reminders, changes to excise tax rates, news releases and many other topics. Just choose the information or service you're interested in and join the list.

To sign up for one of our distribution lists, go to our web site at dor.wa.gov and click on *Doing business*. Under *My account*, click on *More services*, then click on *Email notifications* and follow the directions.

Free tax workshops

We offer workshops free of charge throughout the state. To view the schedule or for more information, visit our web site at dor.wa.gov, click on *Workshops and education* from the left side menu. Once you find the workshop that's right for you, register online or call us to sign up.

A healthy business needs healthy employees

With the recent outbreak of H1N1 flu, the [Department of Health](#) has put together an [H1N1 web page](#) full of tools, resources and information for businesses. Included are several fact sheets that have been translated into other languages. You are encouraged to make these resources available to your employees. An ounce of prevention is worth a pound of cure. Help your staff stay healthy in the coming months.



New

Laws, Rules, and Notices

Monthly filers must file and pay electronically

This spring, new legislation, [SSB5571](#), was passed requiring monthly taxpayers to file and pay their taxes electronically. This became mandatory with the July return due August 25, 2009.

Nearly 80 percent of the state's 85,200 monthly filers were already filing electronically, but many mailed in their payments. Both filing and paying electronically allows the Department to process returns more efficiently, saving time and money for the state.

If you are unable to file electronically, you can request a waiver. Waivers may be granted if you:

- Do not have a computer.
- Do not have access to the internet using your own computer.
- Do not have a bank account or a credit card.
- Bank with an institution that is unable to send or receive electronic funds transfer transactions.

Online filing using E-file was made easier this year with the addition of page tutorials. One-on-one assistance is available through our Telephone Information Center, 1-800-647-7706.

Taxes on digital products clarified

Taxation of digital products, ranging from streaming video to online newsletters, was clarified under a new law that took effect July 26, 2009.

[Engrossed Substitute House Bill 2075](#) addressed the evolution of video, music and other items, from tangible products (DVDs, CDs, paper) to products or services transferred electronically. This helps level the playing field between online merchants and traditional brick-and-mortar stores.

Some digital products are exempt from the law. For example, digital products purchased for resale, incorporated as an ingredient or component of a new product for resale, or purchased by a business to make available free of charge for others to use or enjoy will not be subject to sales or use tax.

For more information about digital products, visit our web site at dor.wa.gov/digitalproducts.

New

Laws, Rules, and Notices



Reseller permit required for wholesale purchases in 2010

On January 1, 2010, businesses will need a reseller permit to make wholesale purchases. The permits allow businesses to purchase items for resale without paying sales tax. Resale certificates are no longer valid after December 31, 2009.

Just a short time remains before reseller permits replace resale certificates.

Nearly 200,000 businesses already have their permits, but many more may wish to apply for a free permit before 2010. Apply by paper or online by going to dor.wa.gov/resellerpermit. Most applications are processed in fewer than 10 business days. Reseller permits are free from the Department.

The 2009 Legislature enacted the change to reseller permits to help improve sales tax compliance without raising taxes. Misuse of self-issued resale certificates costs the state about \$100 million dollars in lost revenue each year.

Permits are valid for:

Four years for businesses registered on or before January 1, 2009.

Two years for businesses registered after January 1, 2009 (Renew for four years).

One year for all contractors. Construction businesses may re-apply annually.

Retailers: Wholesalers will charge sales tax on purchases after December 31, 2009, if you don't have a permit. If you pay sales tax on items that you later resell, you may take a *Taxable Amount for Tax Paid at Source* deduction on your return or request a refund from the Department per WAC 458-20-229.

Contractors

Special rules apply to the construction industry, including that contractors' permits are valid for 12 months. Contractors will not have permits automatically issued, but may apply for free each year. For complete information, go dor.wa.gov/resellerpermit and click *Contractors*.



New

Laws, Rules, and Notices

Rule making

Below is a listing of the Department of Revenue's recent tax rule adoptions and repeals. 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, go to dor.wa.gov and click on *Find a rule or law*, then one of the bullets under *Rule making*.

Questions? Call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

Property tax exemptions:

- 458-16-280 Art, scientific, and historical collections. Effective October 4, 2009.
- 458-16-282 Musical, dance, artistic, dramatic and literary associations. Effective October 4, 2009.

Property tax levies:

- 458-19-070 Procedure to adjust consolidated levy rate for taxing districts when the statutory aggregate dollar rate limit is exceeded. Effective October 4, 2009.
- 458-19-075 Constitutional one percent limit calculation. Effective October 4, 2009.

Open space taxation:

- 458-30-230 Application for open space classification. Effective October 4, 2009.
- 458-30-232 Application for timber land classification. Effective October 4, 2009.
- 458-30-295 Removal of classification. Effective October 4, 2009.
- 458-30-300 Additional tax—Withdrawal or removal from classification. Effective October 4, 2009.
- 458-30-700 Designated forest land—Removal—Change in status—Compensating tax. Effective October 4, 2009.

Excises taxes:

- 458-20-272 Tire fee-Core deposits or credits. Effective October 23, 2009.
- 458-20-10201 Application process and eligibility requirements for reseller permits. May be used to determine tax liability until December 28, 2009.
- 458-20-10202 Brief adjudicative proceedings for matters related to reseller permits. May be used to determine tax liability until December 28, 2009.
- 458-20-239 Sales to non-residents of farm machinery or implements, and related services. Effective August 10, 2009.

Changes to interpretive/policy statements

We issue interpretive and policy statements, such as [Excise Tax Advisories \(ETA\)](#) and [Property Tax Advisories \(PTA\)](#), 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) adopted:

- ETA 9001 Digital Products - General Implementation. Issue date July 24, 2009.
- ETA 9002 Taxation of digital songs, movies, books, and online games transferred electronically. Issue date July 24, 2009.



New

Laws, Rules, and Notices

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 at dor.wa.gov under *Get a Form or publication*. You may also call 1-800-647-7706 to have a copy sent to you.

B&O Tax Changes

B&O Tax Rate Lowered for Printing and/or Publishing of Newspapers. Issued June 19, 2009.

Energy/Fuel

B&O Tax Exemption for Sales of Natural and Manufactured Gas by Industrial Users.

Issued August 5, 2009.

Oil Spill Response Tax Suspension. Issued October 1, 2009.

Petroleum Products Tax Re-imposed. Issued May 27, 2009.

Renewable Energy System Cost Recovery Program – Production Incentive.

Issued September 23, 2009.

Solar Energy Systems and Semiconductor Incentives. Issued July 31, 2009.

Tax Incentives on Sales and Purchases of Hog Fuel and Forest-Derived Biomass.

Issued June 23, 2009.

Tax Incentives for Generation of Electricity from Renewable Resources. Issued June 24, 2009.

Farming and Agriculture

Livestock Nutrient Management – Changes to Tax Exemptions. Issued June 11, 2009.

Taxability of Selling Harvested Mushrooms and Other Forest Products. Issued August 6, 2009.

Property Tax

Assessment of Low-Income Housing - Update. Issued October 2, 2009.

Changes in the Property Tax Exemption for Museums and Performing Arts Facilities.

Issued July 8, 2009.

Current Use Program and Designated Forest Land. Issued July 23, 2009.

Levies and Collection Issues. Issued July 23, 2009.

Wheat Prices Used to Determine the Assessed Value of Farm & Agricultural Land.

Issued October 2, 2009.

Recycling/Composting

Consumer Assistance to Recycle and Save Act of 2009 – Federal Rebate Program.

Issued July 29, 2009.

Reporting Instructions for Composting Facilities. Issued updated August 13, 2009.

Radioactive Waste Cleanup. Issued June 29, 2009.



Laws, Rules, and Notices

Retail Sales

Fireworks Sales – Distributors and Retail Sales by Nonprofit Organizations Tax Registration and Reporting Requirements. Issued updated August 13, 2009.

Reseller Permits to Replace Resale Certificates. Issued October 22, 2009.

Sales Tax Sourcing for Direct Mail Sellers. Issued July 2, 2009.

Telecommunications

Sourcing Prepaid Wireless Calling Services. Issued December 2, 2009.

Use Tax

Certain Taxpayers to Pay Use Tax Directly to the Department of Revenue. Issued updated August 11, 2009.

Vehicles

Electric Vehicle Infrastructure Tax Exemptions. Issued July 10, 2009.

Return of New Vehicles Under Customer Satisfaction Programs. Issued October 14, 2009.

Reduced Public Utility Tax Rate for Log Trucks. Issued June 25, 2009.

Tax Topics

The Department has developed a suite of documents that provide clear and concise explanations of somewhat confusing tax issues. These documents can be found on our [web site](#), click on *Get a form or publication* under the heading Publications click on *Tax Topics*. The following Tax Topics have been added in 2009.

[Real Estate Sign Services](#)

[Lease Property Tax](#)

[New E-file Features](#)

[Business Assets](#)

[Legal Settlements](#)

[Home Warranties](#)

[Hybrids](#)

[Rental Equipment Operator](#)

[Restocking Fee](#)

[Food Stamps Coupons](#)

Washington Tax Decisions

For specific information on recently issued Washington Tax Decisions (WTDs), or for more information regarding how these decisions may affect you, go to dor.wa.gov, click on *Find a rule or law*, then click on a link under the heading Washington Tax Decisions (WTDs).

Contact information

Bellingham
(360) 676-2114

Spokane
(509) 327-0200

Everett
(425) 356-4800

Tacoma
(253) 382-2000

Kent
(253) 437-3440

Olympia
(800) 647-7706

Port Angeles
(360) 417-9900

Vancouver
(360) 256-2060

Richland
(509) 734-7526

Wenatchee
(509) 663-9714

Seattle
(206) 727-5300

Yakima
(509) 454-5160



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Teletype (TTY) users please call 1-800-451-7985.

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