



Tax Facts

Welcome to our 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

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 [website](#) where you can find more information on the topic.

Keep a copy for your files

This 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 website.

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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 on our Active Non Reporting (ANR) status currently not filing tax returns, you do not qualify for that status if you had business activity grossing over \$47,667, or if you made sales requiring you to collect sales tax. If this is the case, call our Telephone Information Center at 1-800-647-7706 to be placed on a monthly, quarterly or annual filing status.

Completing and filing your return online

E-file, our online filing tool, is even easier now. Tutorials are posted on the most commonly used pages to provide filers with a step-by-step guide on how to complete the return. The tutorials 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 website 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 website. 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 must file electronically. To get started, go to our website at dor.wa.gov and click on *Register now* to set up your [My account](#).

Filing due dates

November 2010 return due December 27, 2010

December 2010 return due January 25, 2011

Quarter 4, 2010 return due January 31, 2011

Annual 2010 return due January 31, 2011

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

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Filing Your Tax Return

Tax Return Tips

Local sales/use tax changes

To find a location code and tax rate, see the [Local Sales and Use Tax Rates and Changes Flyer](#) included with your tax return or find it on our website. 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

Year-end tax filing questions? We can help!

Internet services: dor.wa.gov

Use our website 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* heading.

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.



Filing Your Tax Return

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. Check out our website at dor.wa.gov or call 1-877-345-3353.



New Paying by E-check is now free

On October 14, 2010, the Department implemented its new in-house E-check payment option. If you use E-file, you will no longer pay a \$1.00 fee to pay by E-check. By moving the payment process in-house and using the Office of State Treasurer to process payments with Bank of America, E-check is now free for taxpayers. In fiscal year 2010, returns and \$296 million were remitted using E-Check.

Washington state taxpayers may deduct sales tax in 2010 and 2011

Washington State residents may deduct state and local general-sales tax on their federal income returns for tax years 2010 and 2011. The sales tax deduction, eliminated in 1986, was restored in 2004, and was extended again in a tax measure signed by President Obama on December 17, 2010.

The deduction is available to taxpayers that itemize deductions, not those who take the standard deduction. The deduction is based on adjusted gross income and number of exemptions claimed. Taxpayers who keep all their receipts can deduct actual sales tax and use tax paid. The IRS has Optional State Sales Tax Tables <http://apps.irs.gov/app/stdc> for taxpayers to know how much sales tax they can deduct without having to keep receipts.



Tools and Resources

Update your business information

With the upcoming legislative session, there may be changes that affect your business. We work 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 us, [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.

Undisclosed letter rulings discontinued

Tax rulings for undisclosed businesses will no longer be issued by the Department. The new policy is in response to statewide budget cuts. Undisclosed tax ruling requests we receive will not be processed. Instead, we will contact you and request that you disclose the name of the business.

If you provide the name of the business in your request, you can expect a response within 10 business days, in most cases.

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 website 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.



Tools and Resources



New Department launches new web page for farmers

We recently launched a new webpage for farmers and businesses in the farming industry. You'll find information specifically geared towards helping Washington's agriculture industry understand their tax obligations. It includes Special Notices, information on recent and upcoming legislative changes, laws and rules, an Agriculture Tax Guide, and much more. To make it easy to find, we've created a shortcut: <http://dor.wa.gov/farmers>.

Here are some topics we're highlighting:

Field burning exemptions expire December 31, 2010

The sales and use tax exemptions for purchases of specific equipment by qualified farmers to reduce field burning expire December 31, 2010. Beginning January 1, 2011, sellers must collect and remit sales tax on these sales.

Farm Replacement Parts (FRP) exemption certificates must be renewed

Exemption certificates issued 4 years ago for replacement parts and/or services for farm machinery and equipment will expire December 31, 2010. If you need to renew your exemption certificate, please call us at 360-902-7180.

Documentation required for different farming exemptions clarified

Exemption certificates are sometimes being used improperly to document sales tax exemptions. To help clarify, we have developed a [matrix](#) that explains which exemption certificate to use when making eligible purchases.

Expand your business through exports

Have you thought about exporting as a means of increasing your sales? The U.S. International Trade Commission found that small- and medium-sized businesses that export show higher total revenues, faster total revenue growth, and higher labor productivity than their non-exporting counterparts. Are you aware of the trade services offered by both Federal and State Commerce Departments? For more information on the trade services in market development, finance assistance, and trade missions, please visit <http://www.choosewashington.com/business/export/export-tools/Pages/default.aspx>

Free tax workshops

We offer workshops free of charge throughout the state. View the [schedule](#) on our website. Once you find the workshop that's right for you, register online or call 1-800-647-7706 to sign up.



Laws, Rules, and Notices

Enhanced 911 excise tax changes

Beginning in January 2011, the following service providers must report county E911 excise taxes directly to us:

- Local exchange companies
- Radio communications service companies
- Interconnected VoIP service companies

Each service provider must report the number of switched access lines, radio access lines, and interconnected VoIP service lines provided to subscribers per month for each applicable county. We will design a telephone tax addendum to the excise tax return for the following taxes:

- County E911 excise taxes
- State E911 excise taxes
- Telecommunications Relay Service (TRS) tax
- Washington Telephone Assistance Program (WTAP) tax

Businesses that collect and remit E911 excise taxes must register with the state. To register, visit the Department of Licensing's website at dol.wa.gov and complete a [Master Business Application](#).

For more information, visit our website at dor.wa.gov and read the [Enhanced 911 Excise Tax Changes](#) special notice, dated November 1, 2010.

Voters approve I-1107 to repeal some new taxes

This fall, voters approved Initiative 1107 (I-1107) to repeal sales tax on candy, gum, and bottled water. The initiative also repealed the carbonated beverage tax and lowered the business and occupation (B&O) tax rate for manufacturers of perishable meat products. I-1107 does not change tax rates on tobacco, beer, wine, or liquor. Please note that retail sales tax will continue to apply to sales of soft drinks.

The measure took effect on December 2, 2010. We mailed postcards to more than 20,000 businesses with information about I-1107's effects. As you fill out your tax return, bear in mind that through December 1, 2010:

- Sales tax on [candy, gum and bottled water](#) remained in effect
- The [carbonated beverage tax](#) remained in effect
- The [B&O tax rate for meat processors](#) remained 0.00484
- The [B&O tax credit for candy manufacturers](#) remained in effect



Laws, Rules, and Notices

Reseller permits renewed for most construction businesses

This fall, nearly 18,000 construction businesses were mailed renewed reseller permits. These businesses prequalified for a renewed permit based on tax reporting history. Reseller permits allow businesses to make purchases for resale without paying sales tax.

Another 3,000 construction businesses that did not qualify for automatic renewal were notified their permits would expire at the end of 2010. The mailing informed businesses about options to reapply for a reseller permit, pay sales tax on purchases and take a deduction on tax returns, or use other approved exemption certificates.

New

Economic nexus standard for Washington State

On June 1, 2010, new economic nexus standards took effect for businesses providing certain services to Washington customers. In particular, businesses offering professional services or earning income from loan interest, fees and royalties are most likely to be affected by the new standard, which replaces the physical presence standard.

Certain out-of-state businesses such as banks are now liable for business and occupation (B&O) taxes on income derived from customers in Washington. Conversely, Washington-based businesses that provide services to out-of-state customers may pay less B&O tax through apportionment.

We offer an online video tutorial at dor.wa.gov/economicnexus to help multi-state businesses determine if nexus standards apply to them. The video covers information on topics such as:

- Determining if a business has nexus with Washington
- Calculating a business's taxable income
- Apportioning Washington State taxable income

New

Amnesty program for certain penalties and interest

In the December 2010 special session, the Legislature approved a temporary amnesty program for penalties and interest on state business and occupation tax, state and local sales and use tax, and state public utility tax. Interested businesses must apply for the program by April 18, 2011. Learn more about it on our website at dor.wa.gov/amnesty.



Laws, Rules, and Notices

Rule making

Listed are our 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 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

Effective November 2010

- 458-20-267 Annual Reports for certain adjustments
- 458-20-268 Annual Surveys for certain tax adjustments
- 458-20-240 Manufacturer's new employee tax credits-Applications filed after June 30, 2010
- 458-20-240A Manufacturer's new employee tax credits-Applications filed prior to July 1, 2010

Effective October 2010

- 458-20-14601 Financial institutions-Income apportionment
- 458-20-194 Doing business inside and outside the state
- 458-20-19401 Minimum nexus thresholds for apportionable activities
- 458-20-19402 Single factor receipts apportionment-Generally
- 458-20-19403 Single factor receipts apportionment-Royalties
- 458-20-19404 Financial institutions-Income apportionment
- 458-20-196 Bad debts
- 458-20-244 Food and food ingredients
- 458-20-246 Sales to or through a direct seller's representative
- 458-20-24003 Tax Incentives for high technology businesses
- 458-20-127 Sales of newspapers, magazines and periodicals
- 458-20-24001 Sales and use tax deferral-Manufacturing and research/development activities in high unemployment counties-Applications filed after June 30, 2010
- 458-20-24001A Sales and use tax deferral-Manufacturing and research/development activities in rural counties-Applications filed prior to July 1, 2010
- 458-20-166 Hotels, motels, boarding houses, rooming houses, resorts, summer camps

Effective August 2010

- 458-20-273 Renewable Energy System Cost Recovery
- 458-20-279 Clean alternative fuel vehicles and high gas mileage vehicles
- 458-29A-100 Leasehold excise tax-Overview and definitions
- 458-29A-200 Leasehold excise tax-Taxable rent and contract rent
- 458-29A-400 Leasehold excise tax-Exemptions
- 458-29A-500 Leasehold excise tax-Liability
- 458-20-143 Publishers of newspapers, magazines, periodicals



Laws, Rules, and Notices

Effective July 2010

458-20-10201	Application process and eligibility requirements for reseller permits
458-20-10202	Brief adjudicative proceedings for matters related to reseller permits
458-40-660	Timber excise tax-Stumpage values

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 3006	Direct Seller's Use of the Internet, Mail Order, Direct Calls, etc.
ETA 3054	Sales to Nonresidents from Jurisdictions without a Sales Tax of Three Percent or More

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 \(WTDs\)](#).



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 Reporting Requirement Continues After Business Activity Stops](#). Issued September 10, 2010.

Online Searchable Databases

[Online Searchable Databases are Digital Automated Services](#). Issued November 4, 2010.

Economic Nexus

[New "Economic Nexus" in Washington State May Impact Businesses Receiving Royalty/Licensing Income from Patents](#). Issued June 30, 2010.

[New "Economic Nexus" in Washington State May Impact Advertising Agencies Located Elsewhere](#). Issued July 9, 2010.

[New "Economic Nexus" in Washington State Applies to Securities Brokers/Dealers and Fund Managers](#). Issued October 8, 2010.

Energy/Fuel

[Clean Alternative Fuel and High Mileage Hybrid Vehicles – Sales and Use Tax Changes](#). Issued July 21, 2010.

Excise Tax

[Enhanced 911 Excise Tax Changes](#). Issued November 2, 2010.

Farming and Agriculture

[Sales Tax Exemption to Reduce Agricultural Burning Expires](#). Issued October 25, 2010.

Retail Sales

[Retail Sales by Colleges and Universities](#). Issued October 21, 2010.

Tax Incentives

[Changes Affecting Tax Incentives Reports and Surveys](#). Issued August 12, 2010.

Tobacco

[Moist Snuff Tax Rate and Classification Changes](#). Issued September 7, 2010.



Laws, Rules, and Notices

Tax topics

We have developed a suite of documents that provide clear and concise explanations of somewhat confusing tax issues. These documents can be found on our website. Click on *Get a form or publication* and under the heading Publications, click on [Tax Topics](#).

The following Tax Topics have been added in 2010.

- Advertising - Tax included in selling price
- Amusement and recreational services
- Auto repair facility customer rights
- Bartering transactions are taxable
- Business and occupation (B&O) tax itemized on invoice
- "Casual sales" reporting requirements
- Caterers - Purchases and rentals of tangible personal property
- Centralized money management
- Cigarettes - Are tax-free cigarettes really tax-free?
- Clean alternative fuel vehicles and hybrid leases
- Computer service contracts and warranties
- Digital products
- Disc jockey and karaoke services
- E-file more secure with new feature
- Firearms - Reporting interstate transfers
- Flood/disaster relief
- Food stamps/food coupons
- Gift certificates and layaway purchases
- Hearing aid batteries
- Home warranties
- Horse boarding, other open space taxation rules under review
- Hotel guest room furnishings and amenities
- Information Technology (IT) Consumer Services - Quick Reference Chart
- Interest from sale of business assets
- Leases of tangible personal property that include property tax charges
- Legal settlements
- Manufacturing articles for industrial use
- Monthly filers required to file and pay electronically
- Nonresident sales
- Parking fees
- Patent income may be taxable
- Paving cuts
- Portable toilet rentals
- Property tax - Banked capacity questions & answers
- Property tax - How the 1% limit works
- Real estate sign service
- Rental vs. license to use real estate
- Reporting unclaimed property
- Restocking fees for returned merchandise
- Revenue statistics and reports
- Sales tax not listed on invoice
- Selling your business
- Surcharges
- Tangible personal property distinguished from realty
- Transactions between related parties
- Use tax and how to determine if you owe it
- Use tax on motor vehicles
- Vehicles brought into Washington from out-of-state
- Wireless calling - Sourcing prepaid services
- Yoga stakeholders meeting recap

Contact information

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(360) 594-4840

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(509) 327-0200

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(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

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(509) 454-5160



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

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