

# Tax Facts

Washington State Department of Revenue

JULY 2012

This twice-yearly publication summarizes changes and provides information about 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 [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 the pages with information related to your business. If you are going paperless, download this document to your computer.

## Stay informed

Tax Facts is published each July and December. [Past issues of Tax Facts](#) are available on our website.

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# Legislative tax updates

The 2012 Legislature made several changes to taxes and programs administered by the Department of Revenue. Following is a brief summary of some of the bills affecting excise taxes. For more information, please refer to the bill at <http://apps.leg.wa.gov/billinfo/>.

## **Strengthening the Department of Revenue's ability to collect spirits taxes**

*Effective March 15, 2012*, House Bill 2758 grants the Department authority to request the Liquor Control Board to suspend or deny a spirits license if a licensee is more than 30 days delinquent in reporting or paying spirits taxes under any spirits license. The bill also makes other changes to strengthen spirits tax enforcement. [dor.wa.gov/spirits](http://dor.wa.gov/spirits)

## **Data center purchases of servers and power infrastructure**

*Effective April 1, 2012*, Engrossed Senate Bill 6635 reinstates the sales and use tax exemptions for eligible data centers and qualifying tenants. Eligible data centers and qualifying tenants that commence construction between April 1, 2012, and July 1, 2015, may qualify for the exemption on eligible server equipment and power infrastructure. In addition, the exemption for eligible replacement server equipment placed in new data centers and for qualifying tenants are extended to April 1, 2020. (RCW 82.08.986)

## **Washington customized training program**

*Effective June 7, 2012*, Substitute Senate Bill 6372 extends the expiration date of the Washington Customized Employment Workforce Training Program to July 1, 2017. Participants in the program may claim on the credit on their returns filed through July 1, 2021. (RCW 82.04.449) [Special Notice](#).

## **Washington Filmworks contributor B&O tax credit**

*Effective June 7, 2012*, Engrossed Second Substitute Senate Bill 5539 reinstates the business and occupation tax credit available to businesses that make cash contributions to Washington Filmworks, a motion picture competitiveness program, and extends the date to earn credits to July 1, 2017. Credit may be claimed on returns filed through December 31, 2020. (RCW 82.04.4489) [Special Notice](#).

## **B&O tax deduction for dispute resolution centers**

*Effective June 7, 2012*, Senate Bill 6159 provides a business and occupation tax deduction to qualified dispute resolution centers for contributions from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. A qualified dispute resolution center is a center established under chapter 7.75 RCW that provides services without charge or for a fee based on ability to pay.

A deduction is also provided to nonprofit organizations, as defined in RCW 82.04.3651(2) for amounts received from federal, state, or local governments for distribution to qualified dispute resolution centers.

## **Food processors B&O tax exemption**

*Effective July 1, 2012*, Engrossed Senate Bill 6635 extends the business and occupation (B&O) tax exemption for manufacturing of fresh fruits or vegetables, dairy, and seafood to July 1, 2015. The exemption will then be replaced by a preferential B&O tax rate of 0.138 percent. (RCW 82.04.4266, 82.04.4268, & 82.04.4269)



# Legislative tax updates

## Roll-your-own cigarettes

*NOTE:* As of June 2012, this legislation is being challenged in courts. Please check [dor.wa.gov/ryo](http://dor.wa.gov/ryo) for updated information.

*Effective July 1, 2012,* Third Engrossed Second Substitute House Bill 2565 enacted several changes to laws affecting cigarettes made using a roll-your-own (RYO) commercial machine. Among the changes for RYO retailers are the requirements to:

- Have a commercial cigarette-making machine license and cigarette retailer license, in addition to their tobacco products retailer license, for each location
- Use only commercial RYO machines that have secure metering devices; purchase cigarette tax stamps
- Apply the appropriate number of cigarette tax stamps to the containers provided to customers to carry RYO cigarettes out of the store

For a more information, visit our website at [dor.wa.gov/ryo](http://dor.wa.gov/ryo)

## Mortgage interest deduction

*Effective July 1, 2012,* Engrossed Senate Bill 6635 narrows the business and occupation tax deduction for interest on first mortgages or trust deeds. Interest on loans originated by a person or an affiliate located in more than ten states will be excluded from the exemption under RCW 82.04.4292.

## Leasehold excise tax

*Effective July 1, 2012,* Engrossed Senate Bill 6635 the definition of “leasehold interest” in RCW 82.29A.020 is revised to exclude agreements granting preferential use of publicly owned cargo cranes and docks and associated areas used in the loading and discharging of cargo at a port district marine facility.

## Newspapers

*Effective July 1, 2012,* Engrossed Senate Bill 6635 modifies the business and occupation (B&O) tax rate for printers and publishers of newspapers as follows:

- The B&O tax rate for the printing or publishing of newspapers is increased to 0.365 percent from July 1, 2012, through June 30, 2013.
- The B&O tax rate for the printing or publishing of newspapers is decreased to 0.35 percent from July 1, 2013, through June 30, 2015, when the rate returns to 0.2904 percent.

In addition, the definition of “newspaper” is revised to include the electronic version of a printed newspaper beginning July 1, 2012. This provision expires July 1, 2015, when the definition reverts to its prior language. [Special Notice](#).

## Petroleum products tax

*Effective July 10, 2012,* Senate House Bill 2590 continues the pollution liability insurance and underground storage tank community assistance programs administered by the Pollution Liability Insurance Agency. The bill:

- Extends the petroleum products tax (PPT) to July 1, 2020
- Reduces the PPT rate from 0.5 percent to 0.3 percent
- Provides that for petroleum products introduced at the rack, the wholesale value is determined when the petroleum product is removed from the rack



# Programs Expiring or Changing

## **High unemployment county sales/use tax deferral program – change in eligible counties**

The High Unemployment County Sales and Use Tax Deferral Program began July 1, 2010. The list of eligible counties is updated every two years as required by law. For July 1, 2012 through June 30, 2014, the eligible counties are: Clark, Cowlitz, Ferry, Grays Harbor, Lewis, Pacific, Pend Oreille, Skamania, Stevens, and Wahkiakum. (WAC 458-20-24001) [Special Notice](#).

## **Warehouse remittance program**

*Effective July 1, 2012*, RCW 82.08.820, as amended, no longer includes provisions for a cold storage warehouse being a minimum of 25,000 square feet to qualify for a refund of the state's portion of the sales tax paid on qualified purchases. A cold storage warehouse must now meet the same requirements as a warehouse and be at least 200,000 square feet to qualify for the sales tax remittance program for new construction, expansion, or purchases of material handling and racking equipment. (RCW 82.08.820)

## **Fruit and vegetable/dairy/seafood/cold storage sales and use tax deferral**

*Effective July 1, 2012*, the sales and use tax deferral program for certain food processors and cold storage warehouses expires. (Chapter 82.74 RCW)



# Tax news



## Look up a tax rate on the go!

Do you make deliveries to different locations? Provide retail services at different locations? Washington's **free** tax rate lookup app will help you find the correct sales tax rate for any location—right from your phone. Use GPS or key in an address and instantly have the rate, location code, and a confirmation code. Save the information to your list or forward it to another phone or email address. You can even use the app to automatically calculate the total due from your customer. Did we mention it's free? Learn more by visiting [dor.wa.gov/TaxRateMobile](http://dor.wa.gov/TaxRateMobile)  
*Available for iPhone. Android available late 2012.*

## Department field office hours have changed

Effective July 2, 2012, [Kent](#) and [Vancouver](#) field offices will be closed from 11:30 AM to 12:30 PM. Customers who wish to conduct business during the traditional noon lunch hour will have the opportunity to be served after 12:30 PM. The change is due to budget cuts, staffing levels and customer service demand.

## What you need to know about reseller permits

Whether you are a seller accepting reseller permits or a buyer using a reseller permit, you have certain responsibilities. Reseller permits are to be used only when purchasing goods or services that are resold without intervening use.

The Department routinely examines purchases made with reseller permits to verify permits are used appropriately. Misuse of a permit can result in substantial penalties for the buyer and the revocation of the permit.

To ensure that you are using your permit correctly, please see our updated reseller permit web page. [dor.wa.gov/ResellerPermit](http://dor.wa.gov/ResellerPermit)



# Tax news

## Initiative 1183 – privatizing spirits sales

On November 8, 2011, Washington State voters approved Initiative 1183. The passage of this initiative takes the state out of the business of selling spirits and turns those sales over to private licensees. The Department of Revenue is responsible for administering spirits taxes under RCW 82.08.150.

### What changes under Initiative 1183

The biggest change under Initiative 1183 is how spirits are sold in Washington. Effective June 1, 2012, spirits in their original container may be sold by private spirits retailers licensed with the Washington State Liquor Control Board (LCB) to sell spirits. As of May 31, 2012, the LCB closed all state run liquor stores and stopped selling spirits.

### What stays the same under Initiative 1183

Initiative 1183 did not change the taxes that are paid under Washington law. There are two spirits taxes that still apply to the sale of spirits:

**Spirits Sales Tax:** This tax is based on the selling price of spirits in their original package.

- Spirits sales tax rate paid by the general public: **20.5%**
- Spirits sales tax rate paid by licensed on-premises retailers such as restaurants, bars, etc., on their purchases from distributors, distillers, etc.: **13.7%**

**Spirits Liter Tax:** This tax is based on the volume of the spirits being sold in the original package.

- Spirits liter tax rate paid by the general public: **\$3.7708** per liter
- Spirits liter tax rate paid by licensed on-premises retailers such as restaurants, bars, etc., on their purchases from distributors, distillers, etc.: **\$2.4408** per liter

### How to get a license to sell spirits

Businesses may apply for a license through the Business Licensing Service at <http://bls.dor.wa.gov/liquor.aspx>. The LCB approves or denies license applications.

### Licensing fees

Under Initiative 1183, businesses that sell spirits in their original package may also be liable for licensing fees based on gross revenues. These fees are administered by and payable to the LCB. If you have questions regarding licensing or fees, please call LCB's Customer Service Team at 360-664-1600 and choose Option 1 at the prompt.

### Additional information

We have also developed a web page at [dor.wa.gov/spirits](http://dor.wa.gov/spirits) that offers additional information regarding of privatized spirits sales.



# Tax news

## Two new industry tax guides

The Department has posted two new [industry guides](#). Check our website for these online guides.

### **Charter Fishing Guide**

This guide will help charter boat owners and operators, and charter boat companies understand the following:

- What are the tax responsibilities of the boat owner/operator?
- What are the tax responsibilities of the charter company?
- Are boat owner/operators subject to the commercial vessel personal property tax or watercraft excise tax?
- Does sales tax apply on the purchase of bait?
- Are sales of fishing charters to nonresidents taxable?
- Does sales tax apply on fishing charters that go outside of Washington waters?
- Does sales tax apply on fuel surcharges?
- Does sales tax need to be paid on the purchase of the fishing boat?

### **Solid Waste and Recycling/Salvage Businesses Guide**

This guide will help businesses providing solid waste, recycling, or salvage services understand how state taxes apply to their income from these activities including:

- Determining whether a pick-up is solid waste or recycling/salvage.
- What is the solid waste collection tax?
- Do transfer stations or disposal facilities that accept solid waste charge the solid waste collection tax?
- How does business and occupation (B&O) tax apply to income from solid waste collection services?
- What are recycled or salvaged materials?
- Are charges for collecting recycled/salvaged goods subject to the solid waste collection tax?
- How do B&O taxes apply to recycling/salvage businesses?



# New rules and notices

## Rule making activities

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](http://dor.wa.gov) and click on *Find a rule or law*, then under *Rule making* click *Adoptions and repeals*.

### Excise tax rules (WACs) adopted or amended:

- 458-20-10202 Brief adjudicative proceedings for matters related to reseller permits
- 458-20-212 Insurance adjusters
- 458-20-164 Insurance producers, adjusters – Title insurance agents – Surplus line brokers
- 458-20-273 Renewable Energy System Cost Recovery
- 458-20-119 Sales by caterers and food service contractors
- 458-20-124 Restaurants, cocktail bars, taverns and similar businesses
- 458-20-10101 Business licensing service – total fee payable – Handling of fees
- 458-20-19402 Single factor receipts apportionment – Generally
- 458-20-19403 Single factor receipts apportionment – Royalties
- 458-20-19404 Financial institutions – Income apportionment
- 458-30-200 Definitions (Open Space Taxation Act Rules)

### Changes to interpretive/policy statements

We issue interpretive and policy statements, such as Excise Tax Advisories (ETAs) 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:

- 3043.2012 Low-Density Light and Power Utility Deduction *May 1, 2012*
- 3171.2012 Taxation of Dark Fiber (unlit fiber optic cable) *April 1, 2012*
- 3170.2012 Sales Tax Sourcing for Installed Manufactured and Modular Homes *January 1, 2012*



# New 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](http://dor.wa.gov) under [Get a form or publication](#).

### Incentives

B&O Tax Credit for Washington Customized Training Program Extended *Issued June 6, 2012*

Failure to File Annual Tax Incentive Survey Results in Loss of Tax Incentive *Issued March 2, 2012*

### Motion Picture Companies

B&O Tax Credit Reinstated for Contributors to Washington Filmworks *Issued May 31, 2012*

### Spirits Tax

Questions and Answers on Spirits Tax for Retailers *Issued March 1, 2012*

### Telecommunications

Telephone Program Excise Tax Rates for Fiscal Year 2013 *Issued April 5, 2012*

### Tobacco

Commercial Cigarette-Making Machines Operated at Retail Establishments and the Taxation of Roll-Your-Own Cigarettes *Issued May 25, 2012*

### B&O Tax

B&O Tax Deduction Related to Qualified Dispute Resolution Centers *Issued June 18, 2012*

## 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](http://dor.wa.gov), click on *Find a rule or law*, then click on a link under the heading Washington Tax Decisions (WTDs).



# Filing your return

## Tax return tips

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

If you are an active non-reporting business and had business activity grossing over \$28,000 or were required to collect sales tax, you must file a return.

### Completing and filing your return online

To use E-file, go to our website at [dor.wa.gov](http://dor.wa.gov) and click *File my taxes online*.

E-file offers automatic error checking and immediate delivery with a confirmation number. E-file also automatically calculates the Small Business B&O Tax Credit and tutorials to help guide you.

All monthly and quarterly filers are required to file and pay electronically.

### Local sales/use tax changes

To find a location code and tax rate, see the [Local Sales and Use Tax Rates and Changes Flyer](#) available on our website. Select *Find taxes and rates* from our home page, then *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](#) or download our free iphone app at [dor.wa.gov/TaxRateMobile](http://dor.wa.gov/TaxRateMobile).

### 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](#))



# 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 [website](#) – in English at [dor.wa.gov](http://dor.wa.gov) under *Learn about...* and in Spanish at [dor.wa.gov/espanol/](http://dor.wa.gov/espanol/).

## New business tax video

Starting a new business? Watch our online new business tax video to help understand your reporting requirements. Our video includes an overview of the following:

- Taxpayer rights and responsibilities
- Registration requirements
- Manage your account online
- Taxes you may have to pay
- Reseller permits
- Filing your tax returns
- Audits

Find our video at [dor.wa.gov](http://dor.wa.gov) under *Learn about...*

## E-file is even easier with our online tutorials

E-file has page-specific tutorials that will help the novice filer complete and submit a tax return with confidence.

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

To access E-file, go to our website at [dor.wa.gov](http://dor.wa.gov) and click on *File my taxes online* (My account). If you don't have an online account with us, click on *Register now* and follow the prompts.



Website: [dor.wa.gov](http://dor.wa.gov) 1-877-345-3353



# Tools and resources

## Update your business information

There may be changes that affect your business. The Department works hard to notify businesses when 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 a distribution list

As a business owner in Washington State, it is your responsibility to know which taxes you have to pay. But new laws, rules, and interpretations may change some of the taxes you owe. To receive updates on tax regulations that may affect your business, join our [General Information](#) listserv.

The Department also offers listservs on a variety of specific topics including Sales Tax Rate Changes and Reseller Permits. To sign up for any of our email lists, go to our [Listserv email service](#) web page.

## Free tax workshops

We offer workshops free of charge throughout the state. To view the schedule or for more information, visit our website at [dor.wa.gov](http://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.

## Contact

Bellingham .....	(360) 594-4840	Spokane .....	(509) 327-0200
Bothell .....	(425) 984-6400	Tacoma .....	(253) 382-2000
Kent.....	(253) 437-3440	Tumwater .....	(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



For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may call (360) 705-6718.

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