

Tax Facts

Washington State Department of Revenue

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Amex Credit Card New ELF Payment Option

American Express credit cards have been added to the payment options available to businesses that file and pay their taxes using the Department of Revenue’s electronic filing service (ELF).

“We’re pleased to begin offering this service because many businesses have told us that they wanted to pay by credit card,” said Fred Kiga, Director, Washington State Department of Revenue.

Taxpayers will continue to have the option of paying by electronic funds transfer or check as well. More than 10,000 taxpayers now file using ELF.

For more information on filing taxes electronically, please visit <http://dor.wa.gov/elf/elfcontent.asp> or call 1-800-647-7706. ▲

More 2001 Legislative Tax Changes



Several bills impacting programs administered by the Department of Revenue were signed into law after the June 2001 issue of *Tax Facts*. A summary of these additional bills is provided to help you understand and comply with the new tax laws. If you have questions about one of the law changes or need other assistance, please contact your local Department of Revenue office or the **Telephone Information Center at 1-800-647-7706**.

Excise Tax Changes



Sales/Use Tax Exemption for Animal Pharmaceuticals – Substitute Senate Bill (SSB) 5496 (Chapter 17, Laws of 2001 2nd Special Session) provides a sales and use tax exemption to farmers and veterinarians for animal pharmaceuticals. The pharmaceuticals must be administered to an animal that is raised by a farmer for the purpose of producing an agricultural product for sale. The pharmaceuticals must also be approved by the USDA or by the FDA. To qualify for exemption, the buyer must provide an exemption certificate to the seller. *Effective August 1, 2001.*



B&O Rate Reduction for Manufacturers of Dairy Products/ Sales and Use Tax Exemption for Chicken Farmers – Engrossed Substitute House Bill (ESHB) 2138 (Chapter 25, Laws of 2001 2nd Special Session) provides a B&O tax rate reduction for persons who manufacture dairy products from raw materials. The lower tax rate is intended for persons who manufacture products such as milk (fluid milk, dehydrated milk, or milk by-products), cheese, yogurt, ice cream, butter, whey, etc.

This bill also provides a sales and use tax exemption for the purchase and use of propane and natural gas by a farmer when used exclusively to heat structures housing chickens. Bedding materials used to accumulate and facilitate the removal of chicken manure also qualify for exemption. The chickens must be sold as agricultural products. To qualify for exemption, the buyer must provide an exemption certificate to the seller. *Effective September 20, 2001.*

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More 2001 Legislative Tax Changes



Spokane Designated as a Community Empowerment Zone

The city of Spokane was selected by the Office of Trade and Economic Development as the sixth Washington city to contain a Community Empowerment Zone (CEZ). The CEZ designation enables manufacturers, research and development businesses, and certain computer-related businesses to qualify for sales tax exemptions and business and occupation tax credits. Both new businesses and expanding businesses in the CEZ can qualify for the tax incentives. The selection is effective August 1, 2001.

For more information, please contact the Department of Revenue (1-800-647-7706), the Office of Trade and Economic Development (360-725-4047) or the Spokane Economic Development Council (1-800-SPOKANE). ▲

New Industry Tax Guides

The following industry tax guides were recently published by the Department to help businesses better understand Washington State taxes:

- ◆ Beauticians
- ◆ Restaurants
- ◆ Taverns
- ◆ Veterinarians

Other industry-specific tax guides available include: Child Care Operators, Washington State Horse Industry, Auto Dealers, Vessel Dealers, and Aircraft.

Many of these guides are available via the Department's web site by selecting "publications" or by calling the Telephone Information Center at 1-800-647-7706. ▲

... More 2001 Legislative Tax Changes continued from page 1

Sales/Use Tax Exemption for Dairy Farmers – Second Substitute Senate Bill (2SSB) 5947 (Chapter 18, Laws of 2001 2nd Special Session) provides milk producers who have a certified dairy nutrient management plan a sales and use tax exemption for services rendered to operate, repair, clean, alter or improve dairy nutrient management equipment and facilities. Also exempt are ingredients or components of the equipment and facilities. "Dairy nutrient management equipment and facilities" means machinery, equipment, and structures used to handle and treat dairy manure.

The bill also provides a sales and use tax exemption to persons who establish or operate an anaerobic digester to treat dairy manure. The exemption applies to services rendered to install, construct, repair, clean, alter, or improve an anaerobic digester and to ingredients or components of the anaerobic digester. "Anaerobic digester" means a facility that processes manure from cattle into biogas and dried manure using microorganisms in a decomposition process within a closed, oxygen-free container. *Effective July 13, 2001.*

B&O Tax Exemption for Hospitals – Substitute House Bill (SHB) 1624 (Chapter 24, Laws of 2001) allows a deduction from the B&O tax for amounts received by a nonprofit hospital or public hospital from a managed care organization or other entity under contract with a federal or state government to manage certain health care benefits. *Effective July 13, 2001.*

Property Tax Changes

Property Tax Exemption for Farm Equipment – Substitute House Bill (SHB) 1906 (Chapter 24, Laws of 2001) provides an exemption from the state portion of the property tax for machinery and equipment owned by a farmer. The farmer must still report the machinery and equipment and apply for the exemption with the county. The machinery and equipment must be used exclusively in growing and producing agricultural products during the calendar year for which the exemption claim is made. *Applies to taxes levied for collection in 2003 and thereafter.* ▲

Property Tax Reminder

October 31, 2001, is the due date for second-half payments for 2000 real and personal property tax. If you have any questions about the payment of property taxes, please contact your county treasurer's office. The telephone number is listed in the county government section of the telephone book. ▲

New Telephone Numbers

The Department's Taxpayer Services Division is moving October 1, 2001. As a result, some local telephone numbers will change. Callers will be referred to the new numbers. For persons faxing to the Taxpayer Information and Education Section, the new fax number is (360) 486-2159.

Q. What are the record keeping requirements for businesses? What type of records should I keep and for how long?

A. Businesses are required to keep complete and adequate records from which the Department may determine the business's tax liability. In general, records are to be kept, preserved, and presented upon request of the Department, which will demonstrate:

- ◆ The amount of gross receipts and sales from all sources, including barter or exchange transactions.
- ◆ The amount of all deductions, exemptions, or credits claimed through supporting documentation.

Such records may include general ledgers and sales journals, together with all bills, invoices, and cash register tapes. The records should also include all federal and state tax returns as well as all reports, schedules or work papers used to prepare tax reports or returns.

Records must be preserved for a period of five years. Please refer to Washington Administrative Code (WAC) 458-20-254 for more information. ▲

N Spe Notes

Tax Reporting Changes for Linen and Uniform Supply Services explains where a sale takes place, for sales tax purposes, for businesses providing linen and uniform supply services. Issued July 1, 2001. (*Fast Fax code 789*)

Tax Changes Relating to Vehicle Dealers explains the exemptions for wholesale sales of new and used motor vehicles. It also explains the reporting requirements of courtesy dealers. Issued July 1, 2001. (*Fast Fax code 790*)

To access *Fast Fax*, please call 1-800-647-7706 or (360) 786-6116.

Special Notice Correction: There will not be a Special Notice pertaining to House Bill 1361 and House Bill 1859 as indicated in the June issue of Tax Facts.



Rule Changes



The Department publishes tax rules, Washington Administrative Code to assist taxpayers in accurately reporting their tax liability. The following rules were recently revised, adopted, or repealed. The rules are available at <http://taxpedia.dor.wa.gov>.

WAC 458-20-24001	Sales and Use Tax Deferral-Manufacturing and Research/Development Activities in Distressed Areas Applications Filed Prior to August 1, 1999 <i>Revised-Effective May 30, 2001.</i>
WAC 458-20-24001A	Sales and Use Tax Deferral-Manufacturing and Research/Development Activities in Distressed Areas Applications Filed After July 31, 2000 <i>Revised-Effective May 30, 2001.</i>
WAC 458-20-13501	Timber Harvest Operations <i>Adopted-Effective June 14, 2001.</i>
WAC 458-20-259	Small Timber Harvest-B&O Tax Exemption <i>Repealed-Effective July 17, 2001.</i>

Excise Tax Advisories

The Department issues Excise Tax Advisories (ETA) to explain the Department's policy regarding specific tax issues. The table below identifies recently cancelled and revised ETAs.

Cancelled, effective July 16, 2001

ETA 067.04.135	Extracting Tax Classification in Regard to Logging Operations
ETA 099.08.122	Spray Materials Used in Producing Timber and the Agricultural Exemption
ETA 369.04.172	Retail Sales Tax: Tree Planting and Tree Thinning
ETA 373.08.171	Retail Sales Tax: Logging Performed as an Incident to Construction of Privately Owned Roads
ETA 394.04.136	Activities for His Own Use or Incidental to the Taxpayer's Major Activity
ETA 420.08.12.102/135	Seedlings Used in Reforestation Programs
ETA 541.04.45.33.135/129	Tax Liabilities on Forest Landowners & Harvesters: Sale of Standing Timber vs. Sales of Logs
ETA 550.16.179	Deduction Requirements for Certain Log Hauls by Truck

Revised, effective June 18, 2001

ETA 2002.16.179 (3 rd revision)	Low-Density Light and Power Utility Deduction
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Tax Workshops Offered

The following free tax workshops provide an overview of Washington's tax structure. Participants will receive workbooks and have the opportunity to ask questions.

Construction Industry Tax Workshops provide tax information specific to construction activities. This two-hour workshop covers custom construction, speculative building, government contracting, public road construction, and much more.



Construction Workshop Schedule Quarter 4, 2001

- 10/4/01 Wenatchee**
Chelan County PUD
9:00-11:00 a.m.
327 N. Wenatchee Ave
Auditorium
- 11/1/01 Bellevue**
Bellevue Community College
9:00-11:00 a.m.
3000 Landerholm Circle SE
NWCET Bldg, Room N201
- 12/6/01 Tacoma**
Clover Park Technical College
9:00-11:00 a.m.
4500 Steilacoom Blvd. SW
Bldg. 31, Conference Room

Register to attend a construction workshop online at <http://dor.wa.gov/menu/services/workshops.htm> or by calling **1-800-647-7706**.

24-Hour Automated Services

The Department of Revenue's Telephone Information Center offers several automated services. You may access automated services by calling **1-800-647-7706** and selecting the option you wish to use.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users, please call 1-800-451-7985.

New Business Outreach Workshops provide a basic overview of taxes that apply to various business activities in Washington. Topics include tax reporting classifications, deductions, collecting sales tax, and recordkeeping requirements. Register to attend a workshop online at <http://dor.wa.gov/menu/services/workshops.htm> or call the number listed. Check our web site for upcoming workshop dates, times, and locations.

New Business Outreach Schedule

Date	Location	Address	Time
10/3/01	Seattle	Dept. of Revenue 206/956-3002 2101 4th Ave, Suite 1400	1:00-4:00
10/9/01	Port Angeles	Port Angeles City Hall Council Chambers 360/457-2564 321 East 5th Street	9:00-12:00
10/9/01	Bellingham	Dept. of Social & Health Services Labor & Industries Building 360/676-2114 1720 Ellis Street, Conference Room A	1:00-4:00
10/10/01	Tacoma	Lakewood Library 253/593-2722 6300 Wildaire Road SW, Lakewood	1:00-4:00
10/16/01	Wenatchee	Douglas County Fire Station 509/663-9714 377 Eastmont Ave, East Wenatchee	1:30-4:00
10/17/01	Spokane	Dept. of Revenue 509/482-3805 8th floor of Northtown Office Building 4407 N. Division	8:30-11:30; 1:30-4:30
10/18/01	Bothell	Bellevue City Hall, Council Conf. Room 425/452-6851 11511 Main Street, Bellevue	1:00-4:00
10/24/01	Vancouver	Dept. of Revenue Training Room 360/260-6176 8008 NE Fourth Plain Blvd, Suite 340	1:00-4:00
11/8/01	Bellingham	Dept. of Social & Health Services Labor & Industries Building 360/676-2114 1720 Ellis Street, Conference Room A	1:00-4:00
11/14/01	Spokane	Dept. of Revenue 509/482-3805 8th floor of Northtown Office Building 4407 N. Division	8:30-11:30; 1:30-4:30
11/14/01	Olympia	Dept. of Revenue Target Place Complex 360/753-1551 2735 Harrison Avenue NW	9:00-12:00
11/14/01	Tacoma	Lakewood Library 253/593-2722 6300 Wildaire Road SW, Lakewood	1:00-4:00
11/14/01	Vancouver	Dept. of Revenue Training Room 360/260-6176 8008 NE Fourth Plain Blvd, Suite 340	1:00-4:00
11/20/01	Wenatchee	Douglas County Fire Station 509/663-9714 377 Eastmont Ave, East Wenatchee	1:30-4:00
12/5/01	Seattle	Dept. of Revenue 206/956-3002 2101 4th Ave, Suite 1400	1:00-4:00
12/11/01	Bellingham	Dept. of Social & Health Services Labor & Industries Building 360/676-2114 1720 Ellis Street, Conference Room A	1:00-4:00

Bremerton Office Closes

The Department of Revenue's Bremerton field office closed on August 31, 2001. The closure is part of the Department's effort to reduce costs by consolidating services. Nearby offices include Tacoma, Seattle, Olympia and Port Angeles; locations and directions are available on our web site at <http://www.dor.wa.gov/folist.asp>. To reduce the impact of the closure, tax resources are available on our web site at <http://dor.wa.gov> or by calling our Telephone Information Center at 1-800-647-7706.

