

Tax Facts

Washington State Department of Revenue

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Get it right the first time with ELF

Join the nearly 19,000 businesses filing and paying their state business taxes using ELF, our free electronic filing service.

ELF is now available to 99 percent of all taxpayers, and you can pay by check, electronic funds transfer, or American Express or Discover credit card.

ELF helps you get it right the first time by checking for errors and omissions and flagging any potential problems before you file your return.

Check out ELF today at
<http://dor.wa.gov>.

The Combined Excise Tax Return Gets a New Look

The time has come to redesign the Combined Excise Tax Return. In an effort to streamline processes and pursue efficiencies, several improvements will be made to the tax return over the next few months.

Beginning in July 2002, the excise tax return will be printed with colored drop-out ink. This special ink allows the Department's computer technology to read the figures filled in on the return - both typed and handwritten. This is the first of several changes to come. Other ideas for future improvements may include adding more space by spreading the data out or developing specialized tax returns customized to specific business activities.

During this time of transition, you can help us out by making sure you:

- ◆ Use black ink only
- ◆ Write clearly and legibly
- ◆ Don't use any punctuation
- ◆ Send in the original form

In addition, the Department is seeking individuals to participate in a tax return redesign focus group. This is your opportunity to speak up and make a difference. If you are interested in participating, or have suggestions/ideas regarding the returns send an e-mail to formsuggestions@dor.wa.gov or write to:

Forms Suggestions
PO Box 47476
Olympia, WA 98504-7476

Of course, if you are interested in a simpler, more efficient, paperless way of filing, please go to our web site at <http://dor.wa.gov> and file the ELF way!

2002 New Tax Laws

Changes That May Affect You



The 2002 Legislature made several changes to taxes and programs administered by the Department of Revenue. Please see the following pages for a brief summary of new tax laws. You may obtain a copy of the complete bills online at the Washington State Legislature's web site, <http://www.leg.wa.gov/wsladm/bills.cfm>.

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New Special Notices

The following Special Notices were issued:



Dairy Nutrient Management Sales/Use Tax Exemption provides information about the sales and use tax exemption related to dairy farming. The special notice explains the exemption, who qualifies, what items qualify, and details the responsibilities of dairy farmers using the exemption. *Issued March 12, 2002.*

Taxability of Sales of Explosives clarifies that sales of explosives for use in various extracting activities are subject to retail sales tax. *Issued April 26, 2002.*

Audit Directives

The following Audit Directives were cancelled:

8251.1 Point at which sewage collection ends-*Cancelled effective January 30, 2002.*

8156.2 Title insurance agents-*Cancelled effective February 25, 2002.*

Department Offices Close July 4th and September 2nd

Department of Revenue offices will be closed in observance of the following upcoming state holidays:

Independence Day - July 4
Labor Day - September 2

The Department's automated services will still be available. *See automated services on page 7.*



2002 LEGISLATIVE TAX CHANGES



. . . 2002 New Tax Laws continued from page 1

Sales and Use Tax

Sales/hotel/motel taxes on long term rental of lodging-Second Substitute House Bill (2SHB) 1531 (Chapter 178, Laws of 2002) provides a presumption that the sale of and charge made for furnishing lodging for a continuous period of one month or more is a rental of real property, and therefore, not subject to excise taxes. The bill is effective *March 27, 2002* and applies retroactively to *September 1, 2001*. (Special Notice anticipated.)

Changes to use tax application in respect to out-of-state purchases-Senate Bill (SB) 6835 (Chapter 367, Laws of 2002) changes the use tax application in respect to purchases made outside the state for use in Washington as follows:

- ◆ **Delivery charges:** Changes the definition of "value of article used" to include delivery charges. As a result, use tax applies to freight, delivery, or other like transportation charges paid as consideration to the seller of tangible personal property. *Effective June 1, 2002.*
- ◆ **Tangible personal property distributed in state:** Amends the definition of "use" and "consumer" for use tax purposes. This legislation provides that with respect to property distributed within this state for the primary purpose of promoting sales of products or services, the use of the property is deemed to be by the person distributing or causing the distribution of the property. As a result, persons who hire out-of-state businesses to print and distribute materials into Washington to promote the sale of products and services are subject to use tax on the value of those materials. *Effective June 1, 2002.*
- ◆ **The repair of tangible personal property:** Extends use tax to the value of certain retail services, with respect to tangible personal property, that occur outside the state when the property is brought into the state. *Effective June 1, 2002.*

Deductions and Exemptions

Deduction for investment, dividend and certain loan interest income-House Bill (HB) 2641 (Chapter 150, Laws of 2002) allows a B&O tax deduction for investment and dividend income. The bill also allows a deduction for amounts derived from interest on loans between subsidiaries and/or the parent, but only when the total loan *and investment* income is less than five percent of the annual gross receipts of the business. The deduction does not apply to any other loan interest, nor to any investment or dividend income derived by a banking, lending or security business. *Effective July 1, 2002.*

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. . . 2002 New Tax Laws continued from page 2

Q. I subscribe to receive satellite television services. Are my monthly service billings subject to retail sales tax?

A. Charges for receiving subscriber or satellite television services are not subject to retail sales tax in Washington. However, if the bill includes charges for the rental or purchase of equipment, those charges are subject to sales tax. For instance, if you purchase or lease a satellite dish, the charge is subject to sales tax.



WAC 458-20-227 provides additional information regarding subscriber television services.

Q. Does retail sales tax apply to charges for shipping and handling?

A. The answer is yes. Shipping, handling, freight, postage, C.O.D. and delivery costs charged by the seller to the buyer are part of the selling price, and are subject to sales tax. WAC 458-20-110 provides additional information regarding shipping charges.

Beginning June 1, 2002, shipping, handling or other delivery charges paid to the seller are also subject to use tax when sales tax was not paid at the time of purchase.



Exemption for organ procurement organizations-Substitute Senate Bill (SSB) 6787 (Chapter 113, Laws of 2002) provides a B&O tax exemption for amounts received by a qualified nonprofit organ procurement organization. A sales/use tax exemption is also provided to these organizations for the purchase/use of medical supplies, chemicals and materials, as those terms are defined in RCW 82.04.324. The sales/use tax exemption does not extend to construction materials, office equipment, supplies or vehicles.

For purposes of the exemption, qualifying criteria, including nonprofit status, is established under 42 USC Section 273 (b). *Effective March 22, 2002.*

Sales tax refund related to tax overpayment on leased equipment-Senate Bill (SB) 5523 (Chapter 57, Laws of 2002) allows an offset against sales tax otherwise due for sales tax erroneously paid by a lessor when purchasing equipment for leasing. The lessor must have at the time of purchase been entitled to purchase the equipment at wholesale and must substantiate that the sales tax was paid and there was no intervening use of the equipment. The offset is allowed until the total tax paid in error is completely offset, even if it takes more than four years after the year in which the tax was originally paid. *Effective June 13, 2002.*

Property tax exemption for multi-family dwellings-Substitute House Bill (SHB) 2466 (Chapter 146, Laws of 2002) changes the property tax exemption provided for some multi-family dwellings. A ten-year property tax exemption is now available for qualifying new construction, conversions or rehabilitation improvements for multi-family dwellings in cities with populations of at least thirty thousand. Previously, the population had to be at least fifty thousand. *Effective June 13, 2002.*

Other Legislation

Tobacco products tax-Senate Bill (SB) 6591 (Chapter 325, Laws of 2002) imposes the tobacco products tax on persons purchasing "tobacco products" for resale from persons not subject to state taxation. Effective July 1, 2002, the tobacco products tax is due on all acquisitions of tobacco products for resale, where the tobacco products tax has not been previously paid. "Tobacco products" includes cigars and other smoking tobacco, snuff, and other chewing tobaccos, **but does not include cigarettes.** *Effective July 1, 2002.*

Update to definition of a hazardous substance-Engrossed Substitute Senate Bill (ESSB) 6060 (Chapter 105, Laws of 2002) updates the definition of "hazardous substance" for purposes of hazardous substance tax to include substances defined in federal law (Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended in 1986) as being hazardous except for certain noncompound metals when in solid form in particles larger than one hundred micrometers.

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The bill also clarifies that the tax applies to pesticides that are required to be registered under the Federal Insecticide, Fungicide and Rodenticide Act. *Effective July 1, 2002.*

Tax increase on wireless telephone lines-House Bill (HB) 2595 (Chapter 341, Laws of 2002) increases the tax applicable to wireless telephones to fund the implementation of a statewide wireless enhanced 911 service and to supplement the operational cost of the system.

The increase includes a new state enhanced 911 excise tax on wireless telephone lines of \$0.20 per month and an increase in the maximum rate of the county tax on wireless telephone lines from \$0.25 to \$0.50 per month. Radio communications service companies and companies that resell radio access lines must collect the tax from subscribers. *Effective January 1, 2003. (Special Notice anticipated.)*

Sourcing mobile telephone service-Senate Bill (SB) 6539 (Chapter 67, Laws of 2002) provides that retail sales tax, municipal utility taxes and enhanced 911 telephone taxes will be levied on mobile telephones according to the place of their primary use, which is defined to mean the address of the mobile telephone owner. The bill also amends the state B&O tax to adopt the uniform sourcing rules provided in federal legislation. *Effective August 1, 2002. (Special Notice anticipated.)*



Voluntary Disclosure Program

The Department of Revenue's (DOR) Voluntary Disclosure Program encourages businesses to comply with Washington's tax laws and to come forward to voluntarily register and pay prior tax obligations.



Benefits of voluntary disclosure:

- ◆ Limited "look back" period (four years versus seven years).
- ◆ Penalties will be partially or fully waived.
- ◆ Qualified companies can remain anonymous until negotiations are complete.

Through the state's normal tax discovery and audit investigation procedures, companies are subject to tax, interest and 20 percent late penalties for a period of seven-plus years.

Qualifications for voluntary disclosure:

- ◆ Have not been previously contacted by DOR.
- ◆ Have not engaged in evasion or misrepresentation with respect to reporting tax liabilities or other tax requirements.
- ◆ Are not currently registered or reporting taxes to DOR.

Tax obligation in Washington State:

Companies doing business in Washington are subject to Washington's tax laws when *nexus* is established. A few examples of nexus-creating activities include, but are not limited to:

- ◆ Soliciting sales in-state through employees or other representatives.
- ◆ Installing or assembling goods in-state, by either employees or other representatives.
- ◆ Providing services in-state.

For more information about the Department's Voluntary Disclosure Program, please contact:

*Washington State Department of Revenue
Roy Dennis, Voluntary Disclosure Coordinator
PO Box 1248
Olympia, WA 98507-1248*

Phone: (360) 570-5965

Fax: (360) 586-7152

E-mail: voluntarydisclosure@dor.wa.gov



Use GIS to Look Up Local Sales Tax Rates

With more than 350 different location codes throughout the state, it can be a challenge determining local tax codes and rates. The Department's Geographic Information System (GIS) can help you find the correct local tax rate for locations throughout Washington. GIS offers several different methods to look up tax codes and rates. For example:

- ◆ The **Sales Tax Rates Map** allows you to navigate a map to find the correct sales tax rate for a particular location.
- ◆ The **Sales Tax Rates Address Lookup** provides the correct sales tax rate and code when you type in a specified address.

You can even build your own location code system by selecting the **Data Download** feature to integrate local tax information with your business' accounting system.

Recent enhancements to GIS include forest tax assistance. Use GIS to determine the correct stumpage value area code and haul zone codes using either the address lookup feature or map.



Look for the GIS icon on the Department's web site at <http://dor.wa.gov>.



Tax Workshops

Register for workshops online at <http://dor.wa.gov> under the "DOR Services" hot button.

Construction Industry Tax Workshop

This two-hour workshop is structured to provide tax information specific to the construction industry. Topics include custom construction, speculative building, government contracting, public road construction, and much more.



Date	Workshop Location	Time
7/25/02	South Seattle Community College, Jerry Brockey Student Center/Culinary Arts, 6000 -16th Avenue SW, Seattle, 1-800-647-7706	10:00 am -12:00 pm

New Business Outreach

New Business Outreach (NBO) 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 record keeping requirements.

Date	Workshop Location	Time
7/9/02	Bellingham Worksource Office, 101 Prospect Street, Suite 10, Conference Room, Bellingham , 360/676-2114	1:00 pm – 4:00 pm
7/10/02	Lakewood Library, 6300 Wildaire Road SW, Lakewood , 253/593-2722	1:00 pm – 4:00 pm
7/16/02	Douglas County Fire Station, 377 Eastmont Ave, East Wenatchee , 509/663-9714	1:30 pm – 4:00 pm
7/16/02	Port Angeles City Hall Council Chambers, 321 East 5th Street, Port Angeles , 360/457-2564	9:00 am – 12:00 pm
7/17/02	DOR Training Room, 8008 NE Fourth Plain Blvd, Suite 340, Vancouver , 360/260-6176	9:00 am – 12:00 pm
7/17/02	Dept. of Revenue, 4407 N. Division, 8th floor of Northtown Office Building, Spokane , 509/482-3805	8:30 am – 11:30 am; 1:30 pm – 4:30 pm
7/17/02	Capitol Plaza, 1025 Union Ave SE, Olympia , 360/486-2366	9:00 am – 12:00 pm
7/18/02	Bellevue City Hall, Council Conference Room, 11511 Main Street, Bellevue , 425/452-6851	1:00 pm – 4:00 pm
8/7/02	Dept. of Revenue, 2101 - 4th Avenue, Suite 1400 (cross street Lenore), Seattle , 206/956-3002	1:00 pm – 4:00 pm
8/13/02	Bellingham Worksource Office, 101 Prospect Street, Suite 10, Conference Room, Bellingham , 360/676-2114	1:00 pm – 4:00 pm
8/14/02	Lakewood Library, 6300 Wildaire Road SW, Lakewood , 253/593-2722	1:00 pm – 4:00 pm
8/20/02	Douglas County Fire Station, 377 Eastmont Ave, East Wenatchee , 509/663-9714	1:30 pm – 4:00 pm
8/21/02	DOR Training Room, 8008 NE Fourth Plain Blvd, Suite 340, Vancouver , 360/260-6176	1:00 pm – 4:00 pm
8/21/02	Dept. of Revenue, 4407 N. Division, 8th floor of Northtown Office Building, Spokane , 509/482-3805	8:30 am – 11:30 am; 1:30 pm – 4:30 pm
9/10/02	Bellingham Worksource Office, 101 Prospect Street, Suite 10, Conference Room, Bellingham , 360/676-2114	1:00 pm – 4:00 pm
9/11/02	Lakewood Library, 6300 Wildaire Road SW, Lakewood , 253/593-2722	1:00 pm – 4:00 pm

Estate Tax News

Washington State has different estate tax reporting requirements than those of the federal government for deaths occurring on January 1, 2002 and after. In 2002, estates with gross values falling between \$700,000 and \$999,999 will still need to file an estate tax return with the state of Washington, even though they no longer need to file with the federal government.

The state of Washington operates under RCW 83.100.020 (15), which references the Internal Revenue Code (IRC) as it existed on *January 1, 2001*. Since the state of Washington is not operating under the most current version of the IRC, the state of Washington will collect 100 percent of the available estate tax credit. Federal estate tax law changes enacted after January 1, 2001 do not apply to the reporting requirements of Washington's Estate Tax.

Revised Washington State Estate Tax returns will be available this summer on our web site at <http://dor.wa.gov> or you may request to receive notification when the forms become available by sending an e-mail to: WAEstateTaxForm@dor.wa.gov. If you have any questions regarding this information or other estate tax questions, please contact the Estate Tax section at (360) 753-5547 or (360) 753-7518. ▲

Questions?

If you have questions regarding new legislation or other tax issues, please write to:

*Department of Revenue
Taxpayer Information & Education
PO Box 47478
Olympia, Washington 98504-7478*

Olympia Area Customer Service Relocates to Lacey

Walk-in service for Olympia-area businesses is now available at the Department of Revenue's Lacey office located in Woodland Square. These general services, which were previously available at the Olympia field office located in West Olympia's Target Plaza, are no longer available at that location.

If you need personal assistance completing a Master Application or excise tax return, visit us at: **4565 7th Avenue Southeast, 1st floor, Lacey (located behind the Lacey Fred Meyer store)**. Office hours are 8:00 to 11:30 a.m. and 12:30 to 5:00 p.m., Monday through Friday.

For directions to the new location, check out the "Contact Us" section on our web site or contact us directly at (360) 486-2366.

Limited services are available at the Department's West Olympia Target Plaza office. The Forest Tax section is open for taxpayer assistance, either by walk-in or appointment by calling 1-800-548-8829 or (360) 753-7086. Revenue Agents or Revenue Auditors are available by appointment only.



"Biz Fair" 2002



Looking for tips on how to succeed? Attend the annual Washington Small Business Fair. This is your opportunity to learn from experts how to start, improve, or expand your small business. The "Biz Fair" will take place on **Saturday, September 14, 2002, 8:30 a.m. to 4:00 p.m., at the Renton Technical College, 3000 NE 4th Street, Renton, Washington.**

Participants can talk to representatives from federal, state and local government agencies, local chambers of commerce, and business and trade associations at more than 50 booths, and choose from numerous seminars including:

- ◆ Developing a Business Plan;
- ◆ Building & Marketing Your Service Business-Selling the Intangible;
- ◆ Pricing Your Product or Service;
- ◆ Developing Your Business-Making it Grow;
- ◆ Creating a Successful Web Site; and
- ◆ Keys to Small Business Success.

The fair is free. Parking is free. There is no advance registration so come for all or part of the day. For a complete listing of the Biz Fair seminars check out the Department's web site, <http://dor.wa.gov> or call 1-800-647-7706 and follow the prompts for fast fax (code 503). ▲

On the Web

<http://dor.wa.gov>

- **Your time is valuable, and we know it.** That's why we recently made several enhancements to our web site.
- **Whatever you need** – brochures, tax forms, or maybe just a telephone number – that information is now at your fingertips, quickly and effortlessly.
- **A few improvements include:**

<p style="text-align: center;">Combined Excise Tax Returns</p> <p>No more multiple clicks!</p> <p>You can now choose from the current year along with the past four years of returns, all from one page.</p> <div data-bbox="110 768 383 894"></div> <p>Use the <i>Find it Fast</i> box on the right of the screen for all the information you'll need in completing your return, including:</p> <ul style="list-style-type: none">• <i>Business Tax Guide</i> and other publications• Local tax rate flyer• Small business credit tables	<p style="text-align: center;">Printer Friendly Option</p> <p>If you only want to print out the information, without the colorful navigation, try using the “printer friendly” version. It's located above <i>Find it Fast</i>, on the top right of the screen.</p> <div data-bbox="846 940 1118 1012"></div>	<p style="text-align: center;">Special Notices</p> <p>Notices are now arranged by subject rather than title.</p> <div data-bbox="1292 674 1398 768"></div> <hr/> <p style="text-align: center;">Help</p> <p>We've made several improvements to the Help section to make getting the answers you need even easier. Check it out!</p>
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Need Assistance?



**Access Online Information & Services -
24 hours a day/7 days a week**

Visit <http://dor.wa.gov> to get information on:

- ◆ Contacting Us
 - ◆ Phone numbers, office locations and more
- ◆ News Releases
- ◆ Career Opportunities
- ◆ Forms
- ◆ Publications
- ◆ Rules & Laws
- ◆ Statistical Reports
- ◆ DOR Services

Use our Automated Telephone Services: 1-800-647-7706

- ◆ File a “no business activity” tax return
- ◆ Update or close your account
- ◆ Order publications, forms, rules and laws
- ◆ Request documents via *Fast Fax*
- ◆ Listen to prerecorded tax information on *Tax Express*

**Need to speak to a
real person?**

- ◆ Call the Telephone Information Center at 1-800-647-7706, Monday, Tuesday, Thursday and Friday, 7:30 a.m. to 5:00 p.m.; Wednesdays, 9:00 a.m. to 5:00 p.m.
- ◆ For local office assistance, check your local telephone listing or our web site for the address and phone number of the DOR office nearest you.

Taxpayer Services Division
Washington State Department of Revenue
PO Box 47478
Olympia WA 98504-7478

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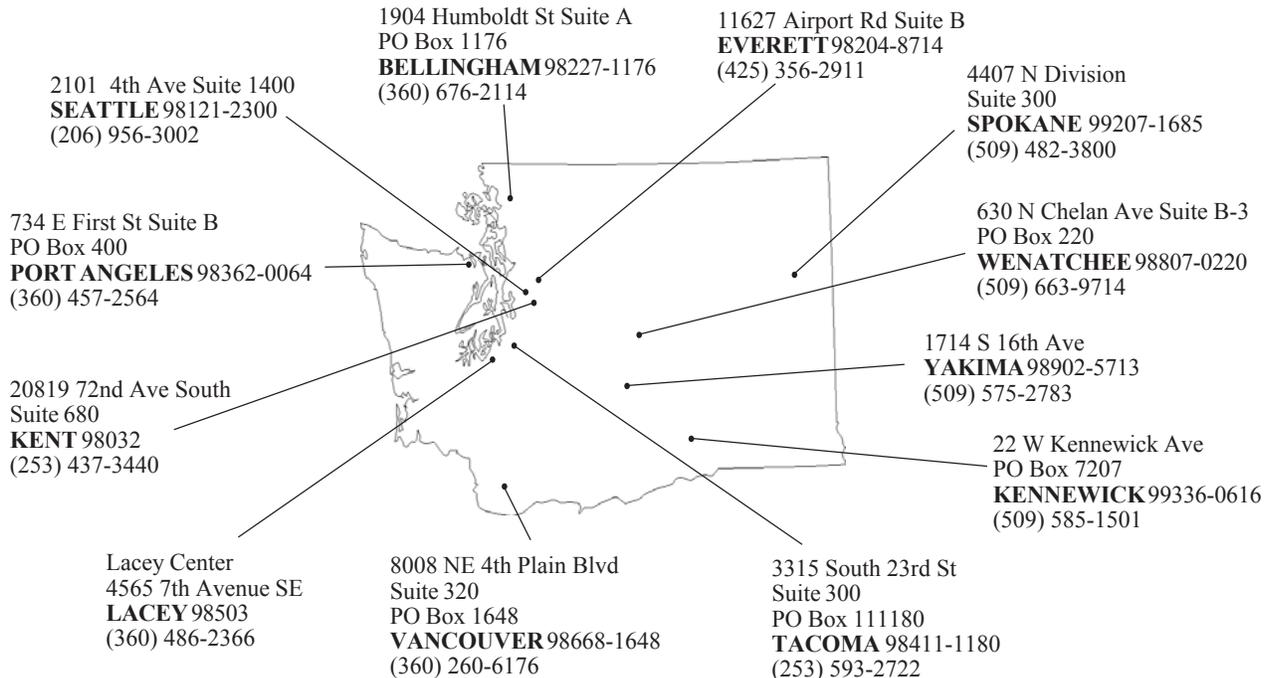


<http://dor.wa.gov>

Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>



To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342.
Teletype (TTY) users please call 1-800-451-7985.

1-800-647-7706

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