

Tax Facts

Electronic Filing Adds E-check

We've just added E-check as a new payment option for our Electronic Filing service. E-check lets users file their state tax returns electronically, then pay by check online rather than mailing a paper check. The process is simple and quicker than hunting down a stamp and envelope.

Electronic Filing helps businesses avoid penalties by filling out their tax returns right the first time. E-file:

- Calculates taxes due and flags potential errors before you file your return.
- Allows data upload from spreadsheets and accounting packages.
- Provides multiple payment options, including electronic funds transfer, credit card, paper check, and now E-check.



Join the nearly 50,000 Washington businesses that file electronically. For more information on E-filing, call 1-877-345-3353 or go to <http://dor.wa.gov> and click on the **E-file** logo.

It's that time . . . We're here to help!

It's crunch time. Thousands of businesses will prepare and file excise tax returns in the next few weeks. If you need help, we offer a number of services to assist you.

Internet/Electronic Services

Our web site, <http://dor.wa.gov>, can save you time in completing and filing your Department of Revenue tax return. Brochures, tax forms, and local sales tax rate charts are all at your fingertips, 24 hours a day. You can also **update your account** information, change your address, or **close your account** by clicking on **Business** (under "Tax Topics" heading to the left of your screen), then clicking one of the options in the gray box to the right of your screen.

Automated Telephone Services

Our toll-free automated services offer access to forms and information, and allow you to change an address, close your business, or make other changes to your account. Just call **1-800-647-7706**, listen to the menu, and select from the available options.

Telephone Information Center

Still can't find the information you're looking for? Call **1-800-647-7706** for personal assistance. For the month of January **only**, our staff is available to help you from 7:30 a.m. to 5:30 p.m., Monday through Friday.

Our phone lines become very busy during January. To avoid long waits:

- Call early in the month, before January 15.
- Have your UBI/tax registration number and tax return available. This nine-digit number is printed on the tax return, above the name and address label.
- Know the type of tax return you've received – a *Combined Excise Tax Return*, *Sales Tax Remittance Return*, or a *B&O Activities Tax Return*.
- Have your gross income figures available to complete the return. (Remember, gross income should not include sales tax collected.)
- Stay on the line and be patient – we answer every call in the order received.

INSIDE

[Tax on Food Products](#) 2

[New B&O Activities Tax Return](#) 2

[Tax Workshops](#) 2

[Question & Answer](#) 2

[Rule Making](#) 3

[Changes to Interpretive/ Policy Statements](#) 4

Tax on Foods – Changes are coming in 2004

Effective January 1, 2004, Washington's taxation of food products significantly changes. The changes result from 2003 legislation ([SB 5783](#)) and align Washington's taxation of foods and food ingredients with other states.

What items are tax exempt?

- **Food and food ingredients.** "Food and food ingredients" are any substances sold for ingestion or chewing, except alcoholic beverages and tobacco products. Tax exempt items include:
 - Nonalcoholic bottled/canned beverages that contain any milk, milk products, or milk substitutes (soy, rice).
 - Nonalcoholic bottled/canned beverages that contain more than 50 percent vegetable or fruit juice.

What items are taxable?

- **Soft drinks.** "Soft drinks" are nonalcoholic beverages that contain natural or artificial sweeteners, including juice drinks that contain 50 percent or less vegetable or fruit juice.
- **Dietary supplements.**
- **Prepared foods.** "Prepared foods" are foods heated by the seller and foods generally sold with an eating utensil (plate, cup, fork, napkins, etc.). Also taxable are foods resulting from the seller mixing or combining two or more ingredients, **except for the following items that are exempt** (unless sold with eating utensils or heated by the seller):
 - Bakery items;
 - Food that is only cut, repackaged, or pasteurized by the seller; and
 - Food containing raw eggs, fish, meat, or poultry that must be cooked by the consumer to prevent food-borne illness.

What are the biggest changes you'll notice?

- Bottled water is **not** taxable (does not contain sweeteners).
- Most sparkling water and club sodas are **not** taxable (do not contain sweeteners).
- Bottled coffee drinks that contain cream or milk are **not** taxable.
- Most sport drinks **are** taxable (contain sweeteners).
- Many juice drinks **are** taxable (contain 50 percent or less vegetable or fruit juice).

This summary provides only basic information about the food exemption changes. For more detailed information on the changes, see our Special Notice, [Food and Food Ingredients – Sales Tax Changes](#).

New B&O Activities Tax Return . . . One might be coming to you

We're continually trying to improve your tax return filing experience. With this in mind, we've developed a new *Business and Occupation (B&O) Activities Tax Return*. The new return allows businesses that meet specific criteria to file using a simplified form. The new return is customized for taxpayers and is designed for more efficient processing.

We began phasing in the *B&O Activities Tax Return* with monthly filers in August 2003. Monthly filers will continue to be phased in through the end of 2003. Quarterly filers that meet the criteria will receive a Quarter 1, 2004 *B&O Activities Tax Return* in mid-March 2004.

By April 2004, approximately 75,000 businesses will be using the new return. If you receive one of the new tax returns and have any questions, call us at [1-800-647-7706](tel:1-800-647-7706).

Question & Answer

Q: Should sales tax be charged when a soda bottle cap promising a "free" soda is redeemed for a new beverage?

A: No. Vendors should not charge sales tax when customers redeem "free soda" bottle caps. Bottle caps promising free sodas are basically providing a "two-for-one" deal for the consumer. You buy one soda and find that the bottle cap provides you with a free soda. When you redeem the free bottle cap at a retail store, you pay nothing, because you already paid the full price (including sales tax) when you purchased the first soda.



Tax Workshops

Looking for a Tax Workshop in your area? Check out our web site! Throughout the year we offer workshops all over the state. To view the updated schedule, register for a workshop, or for more information, visit the Department's web site at <http://dor.wa.gov> and click on [Contact Us](#). You'll find workshops for:

- New Businesses
- Contractors
- Retail Food Sellers

Once you find the workshop that's right for you, complete our online registration form to sign up. See you there!



Rule Making

The following is a recap of recent rule adoptions and repeals by the Department of Revenue. For more information regarding how these rules may affect you, visit us online at <http://dor.wa.gov> and click on *Rules and Laws*, or call our Telephone Information Center at 1-800-647-7706.

Additional information regarding the Department's rule making, including [rule making currently in progress](#), is available online at our web site <http://dor.wa.gov>. Inquiries about a possible, proposed, or adopted rule may be directed to Alan R. Lynn, designated Rules Coordinator at (360) 570-6125 or alanl@dor.wa.gov.

Pursuant to [RCW 34.05.330](#), a taxpayer has the right to petition the Department of Revenue to adopt, amend, or repeal any administrative rule. You may file a petition regarding any of the rules described below or any other rule of the Department. You may obtain a copy of the petition form by downloading it from the Internet at <http://www.ofm.wa.gov/reports/petition.pdf> or by calling our Telephone Information Center. The petition process is governed by rules adopted by the Office of Financial Management (see chapter [82-05 WAC](#)).

Excise tax rules (WACs) adopted or amended:

458-20-210 Sales of tangible personal property for farming – Sales of agricultural products by farmers – effective September 25, 2003. The revised [WAC 458-20-210 \(Rule 210\)](#) provides tax reporting information for farmers and persons doing business with farmers. Rule 210 explains the application of B&O, retail sales, and use taxes to the sale and/or use of feed, seed, fertilizer, spray materials, and other tangible personal property for farm use, which was incorporated from WAC 458-20-122. A number of recent legislative changes affecting farmers and persons making sales to farmers were also incorporated into Rule 210.

458-20-251 Sewerage collection businesses – effective October 12, 2003. [WAC 458-20-251](#) explains state tax application, particularly public utility and B&O taxes, of sewerage collection and related activities. The rule was amended to reflect a recent Washington State Supreme Court decision, *City of Spokane v. Department of Revenue*, 145 Wn.2d 445, 38 P.3d 1010 (2002). The amended rule describes and illustrates the difference between lateral sewers and intercepting sewers, which is required to allocate a sewerage collection business's costs to determine the amount of revenue derived from sewerage collection activities subject to the public utility tax.

Excise tax rules (WACs) repealed:

458-20-122 Sales of feed, seed, fertilizer, spray materials, and other tangible personal property for farm use – repealed effective September 25, 2003. The information provided in this rule was incorporated in the revised WAC 458-20-210, above.

Forest excise tax rules (WACs) adopted or amended:

458-40-660 Timber excise tax – Stumpage value tables – effective January 1, 2003 and July 1, 2003. This rule is revised twice a year to provide the stumpage values used by timber harvesters to calculate the timber excise tax. The revised rule provides stumpage values to be used during the first and second halves of 2003.

Special program rules (WACs) adopted or amended:

458-17-101 Assessment and taxation of ships and vessels – effective August 29, 2003. WAC 458-17-101 explains the application of the state property tax on commercial ships and vessels. It describes the ship or vessel owner's obligations, methods of determining tax liability, and requirements for exemption from, or apportionment of, the tax. This new rule updates and incorporates information from four existing rules that were repealed.

458-61-100 Real estate excise tax – Refunds of tax paid – effective September 25, 2003. WAC 458-61-100 explains how and when a person may petition for a refund of real estate excise taxes. This rule was amended to clarify when and what tax may be refunded when a real estate transaction is completely rescinded.

Special program rules (WACs) repealed:

458-17-105 Ships and Vessels–Definitions

458-17-115 Ships and Vessels–Listing

458-17-110 Ships and Vessels–Subject to property tax

458-17-120 Ships and Vessels–Apportionment of value

All repealed effective August 29, 2003. (Refer to the explanation of WAC 458-17-101, above.)

continued on page 4 . . .

Property tax rules (WACs) adopted or amended:

- 458-07-020 Revaluation of real property – Multiyear counties** – effective November 27, 2003. WAC 458-07-020 provides information about revaluation of real property for property taxation purposes in counties that do not revalue all real property each year. The rule was revised to delete a reference to RCW 90.60.160, which has been decodified.
- 458-07-035 Listing of property – Subdivisions and segregation of interests** – effective November 27, 2003. WAC 458-07-035 provides information about the listing and valuing of real property for purposes of property taxation. This rule was revised to incorporate recent legislation (chapter 23, Laws of 2003) that provides that, except in certain circumstances, real property cannot be segregated for purposes of paying property taxes on a partial interest in the property unless all taxes and assessments on the entire parcel have been paid in full.
- 458-12-360 Notice of change in value of real property** – effective September 26, 2003. WAC 458-12-360 explains the requirement of county assessors to provide notice to taxpayers of any change in the true and fair value of real property per RCW 84.40.045. The rule was revised to incorporate changes to RCW 84.40.045, the statute being implemented, and information provided in PTB 91-4 (Notice of Value Change) and PTB 91-18 (Revaluation Notice).
- 458-16A-150 Senior citizen and disabled person exemption – Requirements for keeping the exemption** – effective August 29, 2003. This rule informs taxpayers, county assessors and treasurers about the property tax exemption granted by RCW 84.36.381 to senior citizens and disabled persons.

Changes to Interpretive/Policy Statements

The Department issues interpretive and policy statements, such as [Excise Tax Advisories \(ETAs\)](#) and [Property Tax Advisories \(PTAs\)](#) 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.

ETA Excise Tax Advisories		Issued:	Cancelled:
2003-5s	Cancellation of excise tax advisories – <i>issued</i> October 9, 2003	90-001	A statement of purpose and intent with respect to issues involving employee placement businesses and their clients – <i>cancelled</i> September 23, 2003
2009-1s.32	BTA Nonaquiescence – <i>issued</i> October 31, 2003	173.04.103	Seed furnished under grower contracts – <i>cancelled</i> September 30, 2003
2011-2s.32	Withdrawal of published determination (Det. 98-101, 18 WTD 260) – <i>issued</i> October 31, 2003	190.04.210	Feeding and fattening cattle and the agricultural products exemption – <i>cancelled</i> September 30, 2003
2016.04.111	Temporary staffing companies – <i>issued</i> September 23, 2003	237.08.125	Sales tax exemption for sales of cattle and milk cows – <i>cancelled</i> September 30, 2003
PTA Property Tax Advisories		Issued:	406.08.125
4.1.2003	Specific question pertaining to the administration and qualification of the land on which a residence is sited for property classified as farm and agricultural land under chapter 84.34 RCW – <i>issued</i> September 30, 2003	559.08.214	Sales of quarter horses – <i>cancelled</i> September 30, 2003
			Sales and rentals of fruit bins – <i>cancelled</i> September 30, 2003

<http://dor.wa.gov>  Telephone Information Center
1-800-647-7706

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.

N0004 12/03  Printed on recycled paper