

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.

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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.



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!

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**.

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.

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

<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.

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