Lower B&O Tax Rate
for manufacturers of commercial airplanes and component parts

On October 1, 2005, the B&O tax rate for manufacturers of commercial airplanes and components of commercial airplanes decreased by 12.5 percent to .004235 from .00484. The reduction is part of a bill enacted by the 2003 Legislature to encourage the manufacturing of airplanes and their component parts in Washington.

The lower rate will remain in effect until July 1, 2007, or when final assembly of a superefficient airplane has begun, whichever is later. Then the rate will be reduced to .002904 (representing a total 40 percent reduction in the rate). The reduced rate will remain in effect until June 30, 2024.

The lower B&O tax rate applies to the:

• manufacturing activity; and
• subsequent wholesale or retail sale of the manufactured product by the manufacturer.

To take advantage of the new tax classifications and rates, qualified businesses are encouraged to file through our electronic filing (E-file) system.

Commute trip reduction credit program updates
Effective July 1, 2005, employers or property managers who provide commute trip reduction incentives to or on behalf of their own or other employees must complete an application to be eligible for a tax credit. We must receive the application between January 1 and January 31, following the calendar year the applicant made commute trip reduction incentive payments. Applications received after January 31 will be disapproved.

For complete information on updates to the Commute Trip Reduction Credit Program, see our Special Notice “Commute Trip Reduction Credit Program – 2005 Updates,” dated June 20, 2005.
Questions & Answers

Q I understand that, as of July 1, 2005, sales tax must be charged on sales of extended warranties in Washington. Does sales tax also apply to extended warranty sales to the federal government, Native Americans, and nonresidents?

A Federal government sales: Sales of extended warranties to federal government agencies are not subject to sales tax.

Native American/Indian sales: Extended warranty sales to Native Americans are subject to sales tax unless delivery of the agreement occurs in Indian Country. To qualify for the exemption for “on reservation” sales to Indians, the Indian buyer must take delivery of the extended warranty on the reservation of which he/she is an enrolled member.

Nonresident sales: An extended warranty sale occurs and is taxed based on where the extended warranty is received by the purchaser. Generally, a nonresident takes delivery of the extended warranty at the seller’s location. If the seller is located in Washington, sales tax is due on the extended warranty sale—even if the item subject to the extended warranty is exempt from sales tax.

When a nonresident takes delivery of an extended warranty at a point outside of Washington, sales tax does not apply. For example, the extended warranty is delivered by the seller to the buyer outside of Washington.

For additional information, see our Special Notice “Extended Warranties Now Subject to Sales Tax” and Emergency Rule WAC 458-20-257.

Tax Workshops

Check out our web site!
Our tax specialists conduct free workshops year-round throughout the state to help new and small businesses understand how to report their state taxes. We also provide workshops covering more detailed tax issues, changes to rules and regulations, incentives, and other topics of interest to specific industries such as restaurants, lodging, construction, and other business segments. Workshops are a great opportunity to ask questions of our staff and network with other businesses in your community or industry!

Complete workshop schedules, information, and registration are online at http://dor.wa.gov. Click on the “Doing Business” tab and select “Workshops” from the left menu.

Construction workshops
This workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, and public road construction.

2/16/06 Everett 10 a.m. - 12 p.m.; 2 p.m. - 4 p.m. Everett Events Center Conference Room 2 200 Hewitt Avenue —to register, call 1-800-647-7706

Business outreach workshops
Attend a Business Outreach workshop to learn the basics of Washington State taxes. This free workshop will help you understand your tax reporting responsibilities. Tax reporting classifications, deductions, sales tax collection, and recordkeeping requirements will be discussed. You’ll also have the opportunity to ask questions regarding taxes that apply specifically to your business.

Free workshops
Visit our web site for more information http://dor.wa.gov
Did you know . . .

Property owners who rent out their homes for periods of less than 30 days ("transient rentals") may be required by law to collect and remit retail sales tax, and possibly other lodging taxes. For detailed information on the transient rental business, see our Personal Home Rentals fact sheet on our web site. Click on the Taxes tab, then select "Industry Specific" from the menu on the left side.

Exemptions from the new tire fee

Retailers that sell new replacement vehicle tires are required to collect a $1 per tire fee effective July 1, 2005. However, the tire fee does not apply to:

- Sales to the federal government
- Sales to Indians, where the tires are delivered to the enrolled member’s reservation
- Sales of re-treaded vehicle tires
- Tires provided free of charge under the terms of a recall or warranty service work

For additional information on the application of the fee and instructions to affected retailers, see WAC 458-20-272.

Recent court decisions

Two recent court rulings upheld the Department of Revenue on the following issues:

- The Washington Supreme Court affirmed the Department’s rule making authority in a decision filed September 22, 2005. The justices unanimously rejected the Association of Washington Business challenge to the Department’s ability to adopt interpretive rules. (Assn. of Washington Business v. Dept. of Revenue, No. 75623-6)
- The Washington Court of Appeals affirmed the Superior Court and filed a published opinion regarding sales tax applications to hotel furnishing and amenity purchases. The Court held that rather than selling these items separately, the Mayflower Park Hotel incorporates the costs of such items into their room rates. The hotel (or, The Mayflower Park Hotel) puts such items to intervening use when it provides them in hotel rooms for guests. The ruling affirmed the Department’s tax treatment of such items. (Mayflower Park Hotel, Inc., No. 30213-6-II, 123 Wash. App. 628, 98 P.3rd 534)

Leasehold excise tax

Persons or businesses leasing or occupying publicly-owned property are subject to leasehold excise tax. This tax applies instead of county property tax. “Publicly-owned real or personal property” means property owned by the federal government, state of Washington, counties, school districts, or other municipal corporations.

The amount subject to leasehold excise tax is generally the amount of rent paid to the public entity for use of the property. Certain leasehold improvements and expenses paid by the lessee are also taxable.

Lessees usually collect the tax from lessees and pay it to the Department of Revenue. However, lessees of federal land must report leasehold excise tax directly to the Department by completing the Annual Leasehold Excise Tax Return Federal Permit or Lease form.

Get more information about leasehold excise tax on our web site. Under the “Taxes” tab select “Other,” then click on “Leasehold.”

Commercial revitalization tax credits

The 2005 Legislature established a new community revitalization program providing B&O and public utility tax credits for businesses that make qualified contributions to revitalization programs designated by the Department of Community, Trade, and Economic Development (CTED) or CTED’s own revitalization program. For more information on this program, which begins in January 2006, see our home page under “Tax Topics” or visit CTED’s downtown revitalization web site at www.downtown.wa.gov.

Anticipated changes for apportioning income

We are in the process of amending WAC 458-20-194, regarding the apportionment of income. At the time of printing, the department anticipates a January 1, 2006 effective date. If the rule applies to your business, please contact our Telephone Information Center at 1-800-647-7706 for updated information.
Rule Making

The following excise tax rules were recently adopted, amended or repealed. 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, contact us online at http://dor.wa.gov. Click on “Laws and Rules,” then one of the bullets under “Rules Making.” You may also call our Telephone Information Center at 1-800-647-7706 for more information.

Excise tax rule (WAC) adopted or amended:

458-20-100 Appeals. Effective November 1, 2005.


458-20-165 Laundry, dry cleaning, linen and uniform supply, and self-service and coin-operated laundry services. Effective October 27, 2005.

458-20-166 Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc. Second emergency rule effective October 28, 2005.


Property tax rule (WAC) adopted or amended:


458-20-149 Taxicab rate of interest. Effective December 2, 2005.

458-20-150 Effective December 2, 2005.

Changes to interpretive/policy statements

We issue interpretive and policy statements, such as Excise Tax Advisories (ETA) and Property Tax Advisories (PTA) 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 (ETA) adopted:


2024.04.182 Storing, inspecting, testing, and labeling canned salmon. September 12, 2005.

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On the Web

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