



Spring 2014

Advisory: Tribal trust land improvements exempt from property taxes

In March 2014, Revenue issued a [property tax advisory](#) explaining that federal law preempts state and local property taxation of permanent improvements located on federally-owned tribal trust land, regardless of who owns the improvements.

The advisory reflects a U.S. Ninth Circuit Court of Appeals decision in 2013 involving taxation of the Great Wolf Lodge, in Grand Mound, which was built on federal land held in trust for the Chehalis Tribe. Revenue's property tax advisory only addresses the issue of property tax on permanent improvements. It does not address property tax on business personal property or the applicability of state or local excise tax on activities located on the trust land.

The appeals court's decision ended several court battles and clarified the issue for local governments, the state and tribes.

Nonprofits keep exemptions when sharing property

A bill passed this session, [ESB 6405](#), provides churches and other nonprofits with new flexibility to share the use of their exempt properties with the community. The bill applies consistent criteria for the various nonprofit exempt categories, so virtually all nonprofits will operate under the same guidelines and limitations without losing their property tax exemption.

Nonprofit organizations, including churches, may now loan or rent their facilities to others for nonexempt activities on up to 50 days in a calendar year. These exempt properties may be used for pecuniary gain or to promote business activities on up to 15 of those 50 days. Any rental fees or donations charged must not exceed the cost of operation and maintenance for the area rented.

Revenue earns top award for tax project

In April 2014, Revenue earned a top honor from the national Federation of Tax Administrators (FTA) for developing a tax model that allows users to manipulate the state's existing tax structure and tax variables and see how the changes might affect different households. The organization also awarded Revenue honorable mention for a project that modernized the property taxation of certain utilities.

Award judges noted that Revenue's Tax Alternatives Model, which won the 2014 award for [Outstanding Research and Analysis](#), could serve as an example for such a model at the federal level. Revenue's winner for honorable mention, the Property Tax GIS tool, "effectively solved a problematic task with work that provided a significant 'work-smarter' and effort-saving system by modernizing and streamlining the state's apportionment process."



(Revenue awards continued)

The FTA has asked Revenue to present on both the Tax Alternatives Model and Property Tax GIS at its two upcoming conferences.

Retail sales up again in fourth quarter of 2013

In a sign that the state's economy continues to improve, taxable retail sales were up in the fourth quarter of 2013 by 5.8 percent. Taxable retail sales between Oct. 1 and Dec. 31, 2013 reached \$31.1 billion – a \$1.72 billion increase over the same period in 2012.

Fourth quarter retail trade purchases increased by 4.9 percent in 2013 over the last quarter of the previous year, to \$14.7 billion. Retail trade is a subset of total taxable retail sales and includes purchases of clothes, home furnishings, books, cars and general merchandise but excludes sales in industries such as manufacturing and construction.

Most categories, including E-commerce, new and used car sales, lawn care supplies, manufacturing, health and drug stores and home furnishings, saw increases in the fourth quarter taxable sales. You can see details for all counties and some cities on Revenue's website:

http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats_qbr.aspx.

Have you claimed your cash?

"You pay; so should they. Report unregistered businesses." Revenue, Employment Security and Labor & Industries are using this theme to urge consumers to check with the state's SuspectFraud.com website before hiring a business to do work for them. The website provides access to tools to verify a business is registered and licensed with the state, and to see if complaints have been filed or state enforcement actions taken. Statewide media will run the campaign from late May to early June.

Revenue just wrapped up its annual Puget Sound-area campaign to promote the state's Unclaimed Property program (www.claimyourcash.org). Property typically includes uncashed paychecks and rebates, utility deposits, insurance checks, stocks, bonds and safe deposit box contents. Increased public awareness helps Revenue return millions of dollars in unclaimed property. In Fiscal Year 2013, Revenue returned \$66 million to 170,000 people. A media campaign for Eastern Washington is slated for the fall of 2014.

Partnerships bring BLS closer to 'one-stop shop' status for licensing

Two more cities, Deer Park and Kenmore, recently joined the state's Business Licensing Service (BLS), moving the service one step closer to becoming a statewide "one-stop shop" for business licensing. The addition of two new cities brings the total number of cities partnering with the state to administer business licenses to 59, or about 28 percent of the state's 212 cities.



(Partnerships continued)

BLS, which is managed by Revenue, already provides more than 400 licenses, registrations and endorsements from 11 state agencies and its partner cities using a single, combined application process. About 30 percent of Washington businesses have a city business license issued by BLS.

Fees, not taxes, driving alcohol price increase

Consumers [continued to pay more](#) on average for alcohol nearly two years after liquor sales were privatized in Washington state. This increase is most likely the result of price markups to offset fees on the distribution and sales of liquor and is not due to increased taxes.

The average per-liter price of liquor sold to consumers increased after taxes by about 9.7 percent, from \$21.96 in January 2012 before Initiative 1183 took effect to \$24.08 in January 2014. The average per-liter price for liquor sold to bars and restaurants also increased slightly, from \$18.97 in January 2012 to \$19.04 in January 2014.

State taxes on spirits have not changed, but retailers and distributors have been paying new fees to the state Liquor Control Board that were established by I-1183. In addition, distributors were required to pay the state \$150 million by March 31, 2013, to make up for the state's loss in spirits revenue. As a result, distributors have adjusted their costs to recoup those fees.

Have a tax question? 'Chat' with Revenue!

Want to ask Revenue a basic tax question and get an immediate response? In January 2014, Revenue launched a [Live Chat](#) option on its website, dor.wa.gov, making it faster and more convenient for taxpayers to get the basic tax information they need. Live Chat has become yet another great way for Revenue to more efficiently answer simple tax questions and reduce the number of calls to its Call Center.

So far, there's been plenty of traffic on Live Chat. By March 25, Revenue had engaged in 2,846 chats.

Enforcement collections exceeding estimates

Through March 2014, Revenue's fiscal year 2014 [enforcement collections](#) have exceeded the estimate by nearly \$81 million. Revenue has committed to collecting a total of \$540 million in fiscal year 2014 of owed and unpaid taxes through its various enforcement efforts, including audit assessments, targeted education, billings and more.

So far, the total amount collected for 2014 is \$489.7 million, which includes several large one-time assessment payments.

Challenge to estate tax on QTIP continues

In February 2014, the Washington State Supreme Court heard arguments in a case that stems from a 2013 change in state law allowing the state to retroactively collect estate tax on the transfer of qualified



(QTIP challenge continued)

terminable interest property (QTIP) passing at the death of the second spouse. The estates of Helen Hambleton and Jessie MacBride argue that the retroactive provisions in the state legislation responding to the 2012 *Bracken* Supreme Court decision violate due process and the separation of powers doctrine. House Bill 2075, passed late in the 2013 session, included a provision that allowed the state to collect the estate tax on the transfer of QTIP occurring on or after May 17, 2005. The Legislature amended the law in reaction to a 2012 Supreme Court ruling that held that the Legislature did not intend to tax QTIP passing at the death of the second spouse when it amended the estate tax code in 2005.

If the 2013 legislation is upheld by the state Supreme Court, the state will save roughly \$119.4 million in fiscal year 2014 and \$40.9 million in fiscal year 2015. The Supreme Court is expected to issue its decision by the end of 2014.