Revenue Report 2014

"Working together to fund Washington's future."

Where the money comes from

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<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percent of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>State retail sales and use tax</td>
<td>$3.25</td>
<td>$19.66</td>
</tr>
<tr>
<td>State property tax, business and occupation tax</td>
<td>$3.3</td>
<td></td>
</tr>
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<td>Other state taxes and fees</td>
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</tr>
<tr>
<td>Local retail sales and use tax</td>
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<td>Other local revenues</td>
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Taxes collected go to the state’s General Fund and help provide for the delivery of many public services, including education, natural resources and recreation, health, transportation, public safety and the environment.

Mission:
“To fairly and efficiently collect revenues and administer programs to fund public services and advocate sound tax policy.”

The Department of Revenue is the state’s principal tax collection agency, overseeing more than 60 different taxes and collecting the majority of the state General Fund tax revenue. The $19.66 billion in revenue collected in Fiscal Year 2014 is vital for the delivery of essential public services for Washingtonians.

Vision:
“To achieve the highest level of voluntary compliance and customer service through collaboration and innovation.”

We strive to provide the highest level of service to our taxpayers while carrying out our top responsibilities:

- Providing taxpayer assistance, information and education
- Assisting the Governor and legislators to develop fair tax legislation
- Issuing and renewing business licenses
- Auditing and collecting delinquent taxes
- Administering special programs affecting timber, cigarette, real estate, leasehold and estate taxes

By the numbers:
- $524,964 – Businesses we serve
- 2.2 million – Tax returns processed each year
- 69 cents – Cost per $100 collected by Revenue
- 1,147 – Full-time employees

Revenue resources
Revenue provides 12 local offices across the state to assist taxpayers in filling out returns, perform audits and appeals, process payments and more.

Bellingham (360) 594-4840 Spokane (509) 327-0200
Bothell (425) 984-6400 Tacoma (253) 382-2000
Kent (425) 656-5100 Tumwater (800) 647-7706
Port Angeles (360) 417-9900 Vancouver (360) 256-2060
Richland (509) 987-1201 Wenatchee (509) 885-9825
Seattle (206) 727-5300 Yakima (509) 454-5160

General tax questions
Telephone Information Center: 1-800-647-7706
Website: dor.wa.gov

Legislative and executive branch support
When it comes to passing laws that affect taxes, the Legislature relies on Revenue’s technical expertise to provide well-researched analysis and information. In Fiscal Year 2014, the agency provided assistance by:

- Drafting 19 bills
- Completing 320 revenue estimates for various tax proposals
- Responding to 91 percent of legislative constituent requests within seven days
- Drafting 269 fiscal notes
- Working with the state Liquor Control Board to implement Initiative 502, which legalized recreational marijuana:
  - Accepted and processed more than 7,000 applications for marijuana business licenses on behalf of the LCB
  - Developed targeted outreach and education to help marijuana businesses understand and comply with state tax obligations
- Partnering with a multi-agency workgroup to bolster the removal program

Award-winning agency
Revenue consistently earns top honors at the national and international levels for its achievements and innovation. In 2014, two of Revenue’s new services garnered plenty of attention:

- **Washington Tax Alternative Model**
  - The Federation of Tax Administrators (FTA) gave Revenue top honors for its online tax model that allows users to model the state’s existing tax structure to see how a variety of alternatives might affect different households.

- **Enhanced Geographic Information Systems**
  - Revenue earned widespread national attention for its project using Geographical Information Systems (GIS) to modernize and streamline property taxation of certain utilities. This system allows Revenue to find the precise location of centrally-assessed utilities, boosting accuracy of taxation and distribution of taxes to the current taxing district.

The International Association of Assessing Officers selected the project for its 2014 Distinguished Assessment Jurisdiction Award, while FTA gave it Honorable Mention in 2014. Revenue earned widespread national attention for its project using Geographical Information Systems (GIS) to modernize and streamline property taxation of certain utilities. This system allows Revenue to find the precise location of centrally-assessed utilities, boosting accuracy of taxation and distribution of taxes to the current taxing district.

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Revenue’s innovative customer-focused services, including its Business Licensing Service online registration process and its Tax Rate Lookup App, helped promote Washington state’s digital services while carrying out our top responsibilities:

- Providing taxpayer assistance, information and education
- Assisting the Governor and legislators to develop fair tax legislation
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Follow us on Twitter @WAStateDOR
Guided by priorities, innovation and service

Our four key priorities help the agency carry out its mission and vision. We strive to achieve these priorities by using Lean management practices to improve our day-to-day processes, upgrade our internal systems and implement innovative ideas.

Customer-focused service

Revenue works hard to meet its customers’ needs and make doing business with the agency easy and efficient. Results of a recent agency Taxpayer Satisfaction Survey show that we’re succeeding: 92 percent of taxpayers who responded said they are satisfied with the overall quality of service Revenue provides.

- **Live Chat:**
  In January 2014, Revenue became one of the first state agencies to offer a Live Chat option on its website. Live Chat allows taxpayers to quickly and conveniently talk with a tax information specialist and get answers to basic tax questions. Revenue fielded more than 5,500 Live Chats in Fiscal Year 2014.

- **Expanding taxpayer education**
  In 2014, Revenue expanded its taxpayer education program by launching a tax webinar for new businesses. Over 100 people tuned in for the first three webinars aimed at reaching a broader audience and allowing taxpayers to attend a tax workshop virtually instead of in person.

- **Unclaimed Property:**
  In Fiscal Year 2014, Revenue returned to the rightful owners $64 million in unclaimed property that had been turned over to the state by banks, retailers, credit unions, utilities and others. During the 2014 two-week spring awareness campaign, more than 151,000 people visited claimyourcash.org – nearly three times as many as the same period in 2013 – and 15,000 claims were filed. The state typically receives about 8,000 claims per month.

- **Nonprofit property exempt lookup tool**
  Revenue developed a tool that’s being used by county assessors and tribes to better search and keep track of properties run by nonprofits receiving tax exemptions. The tool allows assessors to more efficiently sort information and reconcile their local tax rolls with the state in a timely manner.

- **Online amended returns**
  Revenue launched an online system in May 2013 that allows businesses to amend their tax returns electronically. Businesses say it’s easier and quicker than the old system that relied on paper returns or secure messaging. In Fiscal Year 2014, more than 48,700 amended returns were filed online, with an estimated savings of 8,124 staff hours. The system simplifies the process, and reduces paper handling and tax return errors.

  “We just wanted to let you know how great we think the new amendment procedure is. It’s so much better than before when it was all through writing. I just used it for the first time and loved it.” — Satisfied taxpayer

Efficient and effective program administration

At Revenue, we streamline processes, reduce waste and give taxpayers the most “bang for their buck.”

- **Tax and licensing systems replacement project**
  In Fiscal Year 2014, Revenue took significant steps to overhaul its decades-old core tax and business licensing computer systems. The agency worked to develop a detailed plan for data conversion and performed critical activities toward acquiring a solution to replace current systems. In addition to being the backbone of the tax collection process, the systems provide essential services to the state, businesses and local governments.

  - **Efficient and effective**
    - **Program administration**
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- **A model of Lean**
  With a goal of reducing waste and bolstering customer service, Revenue strives to be a model of Lean improvement in state government. Revenue certified 33 Lean practitioners to guide others in the agency to improve our processes. The results of some of our Lean efforts:

  - Reduced by 92 percent the time it takes to review compliance tax assessments under $5,000; 86 percent for assessments over $5,000, and 85 percent for those over $100,000
  - Increased the number of online business license renewals by 28 percent

- **Improved process for annual tax filers**
  Revenue made a series of changes to its current annual tax return filing process that reduced staff time spent on those filings by about 29 percent. Some key improvements included:

  - Creating a simplified tax return for annual filers that requires them to report only the amount of sales tax collected
  - Including language on annual tax return envelopes encouraging taxpayers to file electronically

- **Cash collection commitment**
  Through continued taxpayer education, investigations and enforcements, Revenue exceeded its 2014 commitment to collect owed taxes by $117 million, or 22 percent.

Fair and consistent tax policy administration

Revenue’s dedication to fair and consistent tax policy administration has helped Washington state taxpayers achieve a 97 percent level of voluntary compliance.

- **Increasing transparency**
  Tax determinations and rulings are specific to individual taxpayers and confidential, but publishing generalized determinations provides valuable guidance about how laws are interpreted. Revenue was able to exceed its goal for 2014 by more than doubling the number of published tax determinations and rulings, providing more transparency.

- **Tax determinations published**

<table>
<thead>
<tr>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
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<tbody>
<tr>
<td>22</td>
<td>29</td>
<td>75</td>
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- **Cleaning up tax statutes**
  Revenue drafted a bill passed by the 2014 Legislature that made much-needed technical improvements to tax statutes. SSB 6333 removed obsolete terms, corrected references and consolidated sections to clear up inconsistencies, ambiguities and other inefficiencies that exist under current law.

- **Nonprofit property tax exemptions**
  Revenue developed consistent criteria that provides churches and other nonprofits the flexibility to better share the use of their exempt properties with their communities. The new criteria allows virtually all nonprofits to operate under the same guidelines and limits without losing their property tax exemption.
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- **Helping Washington make the grade**
  Revenue helped bolster Washington state’s digital services and earn the state a first-place finish in the “Finance, Administration, Procurement and Human Resource Management” category from the national Center for Digital Government’s 2014 Digital States Survey.

  Revenue’s innovative customer-focused services, including its Business Licensing Service online registration process and its Tax Rate Lookup App, helped promote Washington state’s digital services grade from a C- to a B+ — one of the biggest grade improvements of all 50 states since the organization’s last survey in 2012.

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- **$3.33** Other local revenues
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- **$8.29** Business and occupation tax
- **$1.97** State share property tax
- **$3.25** Business and occupation tax
- **$1.33** Other local revenues
- **$2.2 million** Total revenue

**Taxes collected go to**

- The delivery of a long list of public services, including education, natural resources and recreation, health, transportation, public safety and the environment.

Follow us on Twitter @WAStrateDOR