

## Repeal all preferential B&O tax rates

- Description** This proposal would repeal the preferential B&O tax rates for retail sales, a variety of manufacturing/processing activities, and certain services.
- The rate for retail sales and the manufacturing/processing activities would revert to 0.484%, which is the rate for wholesale sales and general manufacturing.
  - The rate for the service activities would revert to the general rate for services and other activities, (1.8% until July 1, 2013, then reverting to 1.5%).

- Current Law** Current law provides a wide variety of preferential B&O tax rates, including:
- 0.138% for manufacturers of flour, oil, certain alternative fuels, processors of dried peas and perishable meat products, and wholesalers of prescription drugs;
  - 0.275% for travel agents, charter and freight brokers, stevedoring, adult boarding homes, and manufacturers of semiconductor materials;
  - 0.2904% for manufacturers of commercial aircraft, timber and wood products, and solar energy systems, smelting aluminum, publishing newspapers, and repairing aircraft used in interstate commerce;
  - 0.471% for retail sales and radioactive waste clean-up;
  - 0.484% for insurance agents, child care, royalty income, treatment of chemical dependency, and services for salmon canners; and
  - 0.9% for aerospace product development.

**Revenue Impact**

General Fund Impacts (\$ millions):

| Fiscal Year<br>2012 | Fiscal Year<br>2013 | 2011-2013<br>Biennium |
|---------------------|---------------------|-----------------------|
| \$0                 | \$287.8             | \$287.8               |

*Notes:*

- *This proposal does not include the current B&O tax exemption for processing fresh fruits and vegetables and manufacturing seafood and dairy products, which expires and reverts to a preferential rate of 0.138% effective July 1, 2012.*
- *Estimates assume a July 1, 2012 effective date, representing 11 months of collections for FY 2013.*
- *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*

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**Repeal all preferential B&O tax rates, Continued**

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**Expenditure  
Impact**

| <b>Fiscal Year<br/>2012</b> | <b>Fiscal Year<br/>2013</b> | <b>2011-2013<br/>Biennium</b> |
|-----------------------------|-----------------------------|-------------------------------|
| TBD                         | TBD                         | TBD                           |

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