

## Increase B&O tax rate on oil companies with windfall profits

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### Description

This proposal would impose a new tax of 0.6% on oil companies that experience windfall profits.

An oil company would be subject to the additional windfall profits B&O tax if:

- The oil company reported, for federal income tax purposes, annual net income for the prior calendar year of at least one billion dollars, and
- Adjusted federal net income for the prior calendar year was at least 5% of its total revenue for that year.

Thus, oil companies that experience windfall profits would be subject to a total tax rate of 1.071% or 1.084%, depending on whether the product was manufactured in this state or the sales in this state are at retail or wholesale.

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### Current Law

Under current law, oil companies that manufacture petroleum products in Washington are subject to B&O tax on the value of the products manufactured at a rate of 0.484% and on the gross proceeds of product sales in Washington at a rate of 0.484% for wholesale sales or 0.471% for retail sales. The manufacturer is entitled to a multiple activities tax credit so that tax is paid on either the value of the manufactured product or income from its sale of the product, but not both. For B&O tax purposes, the value of a manufactured product is generally the gross proceeds of sales of the product.

Oil companies that sell petroleum products without manufacturing the products in this state are subject to B&O tax on the gross proceeds of product sales.

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### Revenue Impact

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$131.0	\$131.0

Notes:

- Estimates assume a July 1, 2012, effective date, representing 11 months of collections for FY 2013.
  - Estimates reflect the November 2011 Economic & Revenue Forecast Council revenue forecast.
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## Increase B&O tax rate on oil companies with windfall profits, Continued

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**Expenditure  
Impact**

<b>Fiscal Year 2012</b>	<b>Fiscal Year 2013</b>	<b>2011-2013 Biennium</b>
\$51,300	\$0	\$51,300

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