



PROPOSED RULE MAKING  
(RCW 34.05.320)

CR-102 (7/22/01)  
Do NOT use for expedited  
rule making

Agency: Department of Revenue

X Preproposal Statement of Inquiry was filed as WSR 04-05-102; or  
Expedited Rule Making--Proposed notice was filed as WSR \_\_\_; or  
Proposal is exempt under RCW 34.05.310(4).

X Original Notice  
Supplemental Notice  
to WSR  
Continuance of WSR

(a) Title of Rule: WAC 458-20-104 Small business tax relief based on ((~~volume~~)) income of business.

Purpose: This rule explains Washington's gross receipts tax relief for small business, which is composed of a business and occupation (B&O) tax credit system and a minimum volume of business threshold for the public utility tax.

Other identifying information:

(b) Statutory authority for adoption:  
RCW 82.32.300 and 82.01.060(2)

Statute being implemented:  
RCW 82.04.4451 and 82.16.040

(c) Summary:

The Department is proposing a revision to this rule to change the hierarchy of applied credits. The current rule explains that the B&O tax credit provided by RCW 82.04.4451 (commonly referred to as the "small business B&O tax credit") is to be computed after claiming any other B&O tax credits available under chapter 82.04 RCW. The current rule explains that B&O tax credits provided in other chapters are to be taken after the credit provided in RCW 82.04.4451 is computed. The proposed rule provides that all B&O tax credits, regardless of where they are provided in Title 82 RCW, are to be applied prior to determining eligibility for and the amount of available tax credit under RCW 82.04.4451.

Reasons supporting proposal:

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting.....	Gayle Carlson, 1025 Union Ave. SE, Ste #400, Olympia, WA	(360) 570-6126
2. Implementation.	Alan R. Lynn, 1025 Union Ave. SE, Ste #400, Olympia, WA	(360) 570-6125
3. Enforcement.....	Russell Brubaker, 1025 Union Ave. SE, Ste #400, Olympia, WA	(360) 570-6131

(e) Name of proponent (person or organization):  
Department of Revenue  
Private  
Public  
X Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: No comments or recommendations are submitted.

(g) Is rule necessary because of:  
Federal Law? Yes X No If yes, attach copy of text  
Federal Court Decision? Yes X No Citation:  
State Court Decision? Yes X No

(h) HEARING LOCATION:  
Capitol Plaza Building  
4<sup>th</sup> Floor – L&P Large Conference Room  
1025 Union Avenue SE  
Olympia, Washington  
  
Date: June 22, 2004 Time: 9:30 AM  
Assistance for persons with disabilities: Contact: Sandy Davis no later than 10 days before the hearing date. TTY 1-800-451-7985 or (360) 725-7499.

Submit written comments to: Gayle Carlson  
Department of Revenue  
Post Office Box 47467  
Olympia, Washington 98504-7467  
FAX (360) 664-0693 By: June 22, 2004  
e-mail: GayleC@dor.wa.gov

Date of intended adoption: June 29, 2004

CODE REVISER USE ONLY

Name (type or print)  
Alan R. Lynn

Signature  
Filed: May 11, 2004  
Time: 2:30 PM  
WSR: 04-11-024

Title Rules Coordinator  
Legislation & Policy Division  
Date

**(j) Short explanation of rule, its purpose, and anticipated effects:**

The rule explains the public utility tax (PUT) exemption provided by RCW 82.16.040 and B&O tax credit provided by RCW 82.04.4451. The PUT exemption is an all-or-nothing exemption where no tax is due until the assigned income threshold is reached, at which point the taxpayer does not qualify for the exemption and the entire public utility tax liability is due. The B&O tax credit is based on tax liability. If the amount of B&O tax otherwise due exceeds the maximum credit amount of \$35 per month, a reduced credit is allowed using a provided step-ranged chart. The chart eliminates the need to hand-calculate the credit.

The current rule explains that the B&O tax credit provided by RCW 82.04.4451 is to be computed after claiming any other B&O tax credits available under chapter 82.04 RCW. Other B&O tax credits provided in Title 82 RCW are to be taken after any credit available under RCW 82.04.4451 is taken. The proposed rule provides that all B&O tax credits, regardless of where they are provided in Title 82 RCW, are to be applied prior to determining eligibility for and the amount of available tax credit under RCW 82.04.4451. Under the proposed rule, the change in the hierarchy of computing tax credits could benefit some taxpayers. This change will also simplify the process for taxpayers and Department staff when determining the order in which to apply B&O tax credits.

**Does proposal change existing rules?   X   Yes      No      If yes, describe changes:**

This proposal amends WAC 458-20-104 as described above.

**(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?**

**YES. Attach copy of small business economic impact statement.**

**A copy of the statement may be obtained by writing to:**

**Telephoning:**

**Faxing:**

**X   NO. Explain why no statement was prepared.**

The rule does not impose any new performance requirement or administrative burden on any small business.

**(l) Does RCW 34.05.328 apply to this rule adoption?      Yes      X   No**

**Please explain:**

This rule is not a significant legislative rule as defined in RCW 34.05.328(5).