### MAJOR WASHINGTON STATE TAXES

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| 1 Retail Sales and Use Tax | • State rate at 6.5%  
• Local rates vary—.5% to 2.4%  
• Includes repair and labor & materials on construction  
• Exempts food, drugs, M&E, and most services | • State: $5.92 billion  
• Local: $1.68 billion  
• 52% of state general fund | • Productive  
• Broad-based  
• Not lumpy  
• Administratively simple  
• Perceived to be the most equitable tax | • Most volatile WA tax  
• Regressive  
• Not adequate in long run  
• Encourages tax avoidance  
• Collection cost for retailers  
• Dampens firm investment  
• Least exportable | | |
| 2 Business and Occupations Tax/Public Utility Tax | • Manufacturing, wholesaling rate at 0.484%  
• Retailing rate at 0.471%  
• Services and hospitals at 1.5%  
• Tax on gross business receipts | • $2,012.4 million—B&O  
• $267.6 million—PUT  
• 17% of state general fund | • Compared to corporate income tax: less volatile, broad-based, simple  
• Interstate competitive advantage for high profit industries  
• Most exportable | • Burdensome to firms in unprofitable years  
• Interstate competitive disadvantage for low profit inds.  
• Not transparent  
• Pyramids  
• Lumpy for small taxpayers | | |
| 3 Property Tax | • Rates per $1000 assessed value  
• State rate at $3.16  
• Local at $9.80  
• Taxes real and pers. property | Calendar Year 2001  
• $1,396.7 million—state  
• $4,313.4 million—local  
• 12% of state GF | • Adequate in long run  
• Federal tax deduction  
• Tied to benefits received  
• Transparent | • Moderately regressive  
• Lumpy  
• Burdensome when value grows faster than income  
• Perceived to be unfair  
• Exemptions cause shifts  
• Uncertain school funding  
• Geographic inequities  
• Expensive to administer | | |
| 4 Selective Sales Taxes | • Gas rate at 23 cents/gallon  
• Cigarette at $1.425/pack  
• Liquor at 20.5% of wholesale + $2.44 per liter | • $1,294.6 million—state  
• $94.8 million—local  
• Gas tax 5.2% all taxes  
• Cigarette 2.1% all taxes  
• Liquor 1.1% all taxes | • Gas tax tied to benefits received  
• To extent smoking and drinking are related to higher health costs, cigarette and liquor taxes are tied to externalities. | • More regressive than general RST  
• Very high cigarette tax rates encourage tax evasion  
• Not adequate in long run | | |
| 6 Total tax mix | | • $1,196.0 million—state | | | |

Taxes are evaluated on the basis of the following principles: Simplicity, Economic Neutrality, Equity/Fairness, Stability, Transparency, Interstate Competitiveness, Long-Term Adequacy.