



*"Working together to
fund Washington's future"*

Local Government Partnership

Carol K. Nelson, Director
June 4, 2014

Agenda

- | | |
|---------------|---|
| 8:30 – 9:00 | Registration |
| 9:00 – 9:10 | Welcome and Introductions |
| 9:10 – 9:40 | Forecast Council |
| 9:40 – 9:50 | Business Licensing Service (BLS) |
| 9:50 – 10:00 | Liquor profit distributions for local governments |
| 10:00 – 10:20 | Protecting confidential tax & licensing information |
| 10:20 – 10:35 | Break |
| 10:35 – 10:45 | Federal legislation |

Agenda, continued

- 10:45 – 10:55 E911 tax impacts from 2E2SHB 1971
- 10:55 – 11:05 New local sales tax portal
- 11:05 – 11:40 Use tax reporting
- 11:40 – 11:50 2014 Property tax legislation
- 11:50 – 12:10 Tribal taxation 101
- 12:10 – 12:20 Miscellaneous updates & closing
- 12:20 – 12:30 Telecommunications refund (confidential tax information)

Washington State Economic Outlook

Presented to
Local Government Partnership

Eric Swenson
Senior Economist

June 4, 2014
Tumwater, Washington



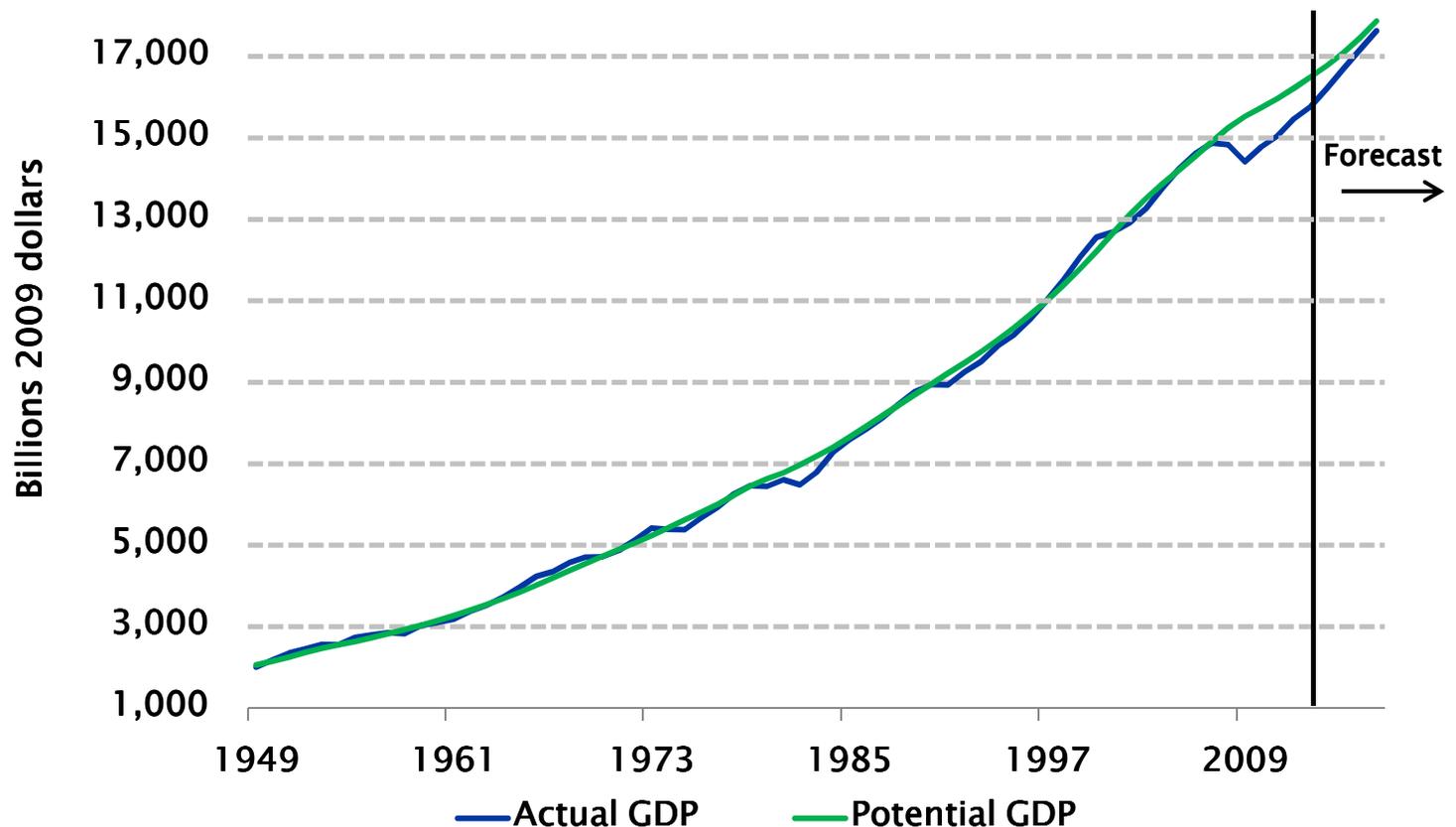
**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Summary

- The Washington economy continues to grow, but at a pace lower than the historical average
- Risks to the baseline are the potential for slower Chinese economic growth, the anemic recovery in the European Union, and possible disruptions to the housing recovery

Great Recession was a notable deviation from potential economic activity

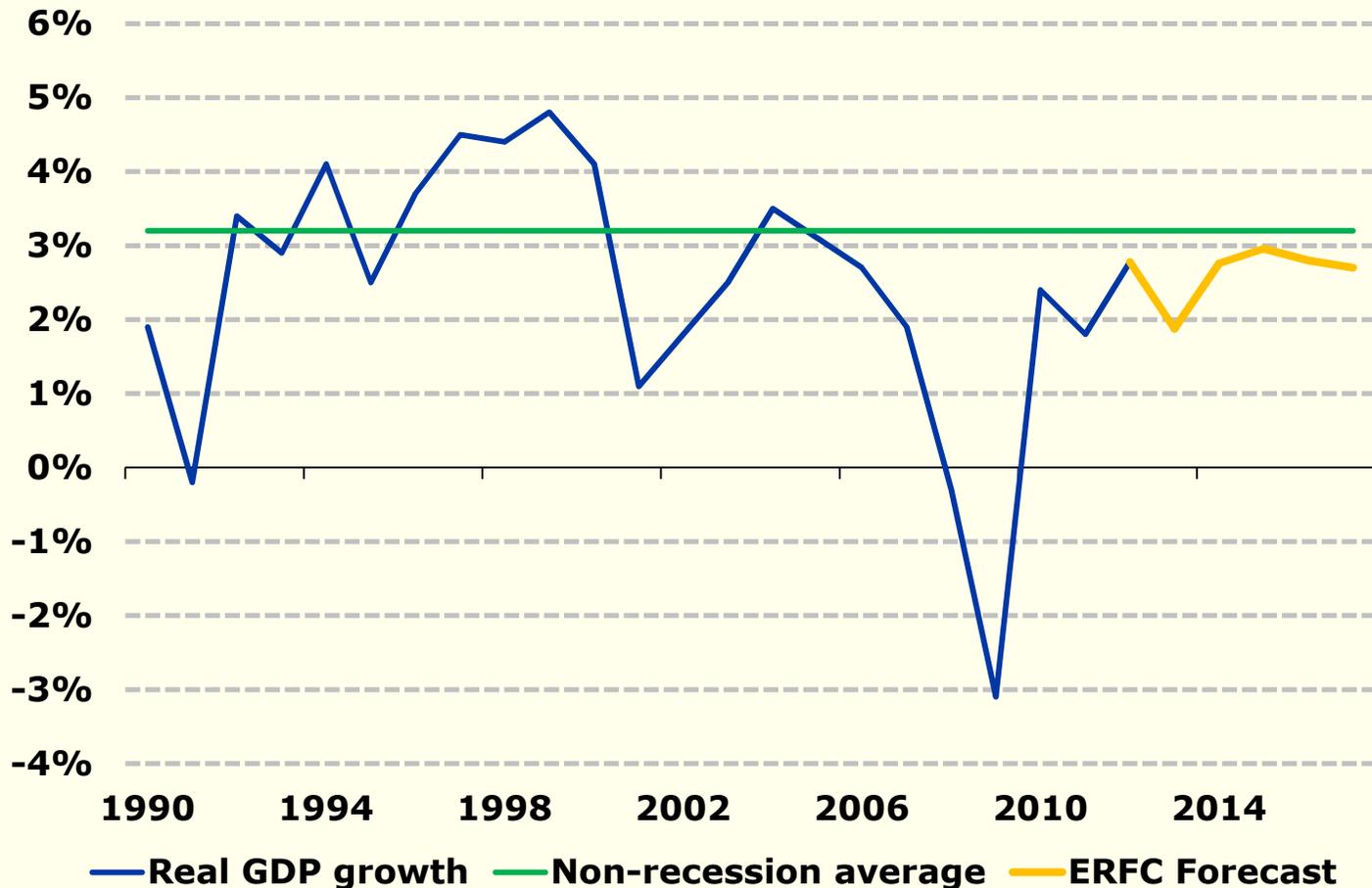


Sources: CBO, ERFC; forecast data 2014 - 2017



GDP growth forecasted to be near non-recessionary average in 2015

Non-recessionary average growth of 3.2% excludes 1990, 1991, 2001, 2007-2009



Source: U.S. Dept of Commerce, BEA, ERFC February 2014 Forecast

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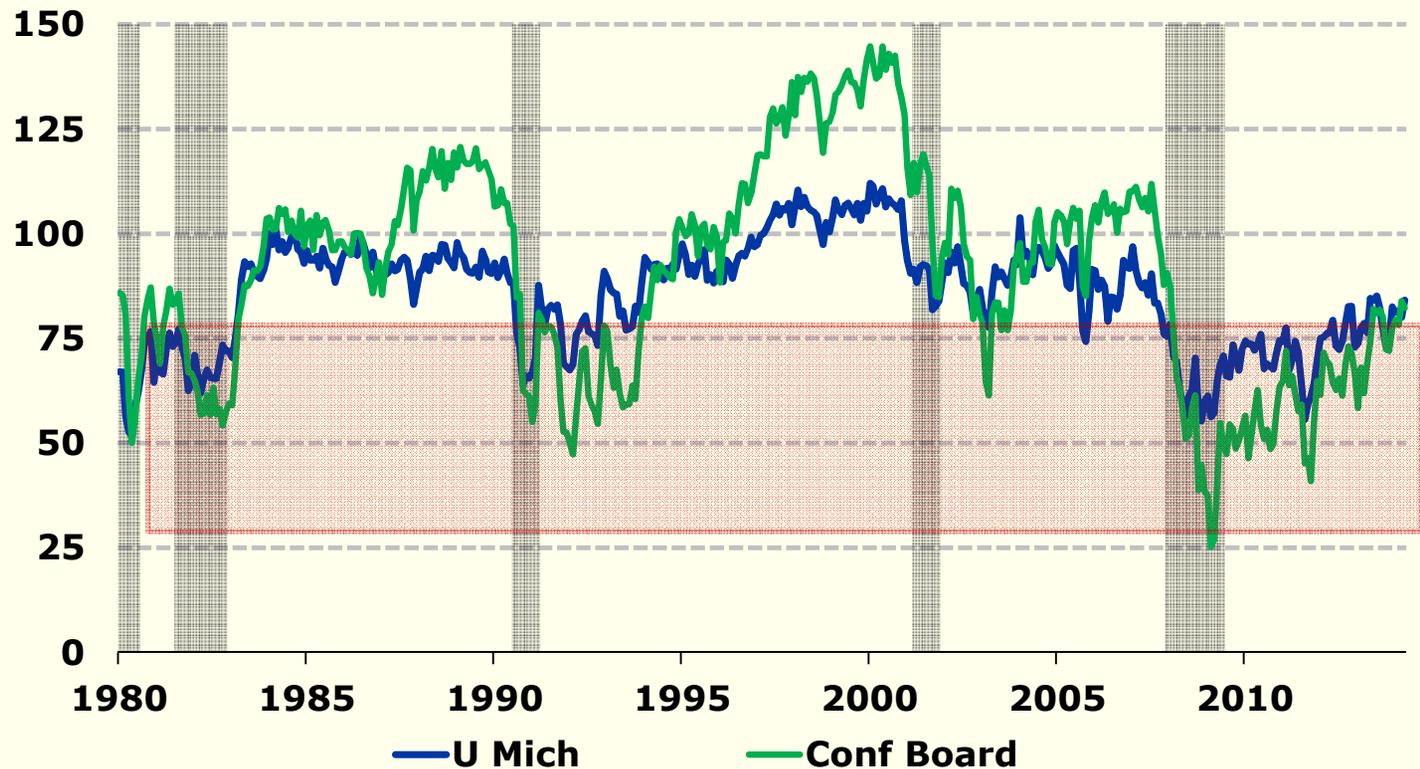


Consumer confidence has improved slightly over last three months

Index

Mich: 1966Q1 = 100, SA

Conf Board: 1985 = 100, SA

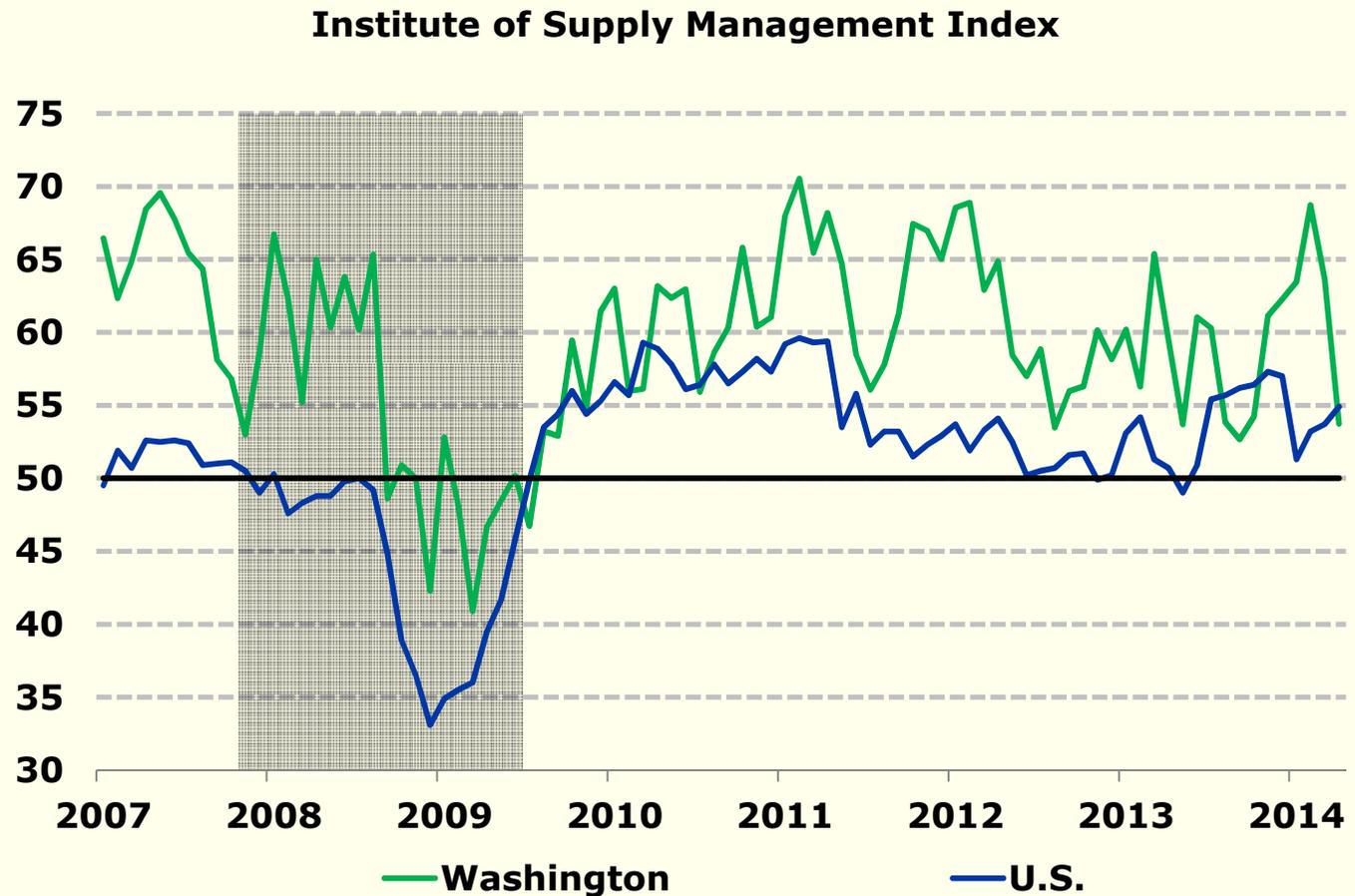


Source: University of Michigan; Conference Board, data through April 2014



The manufacturing sector continues to grow

An index value greater than 50 implies growth



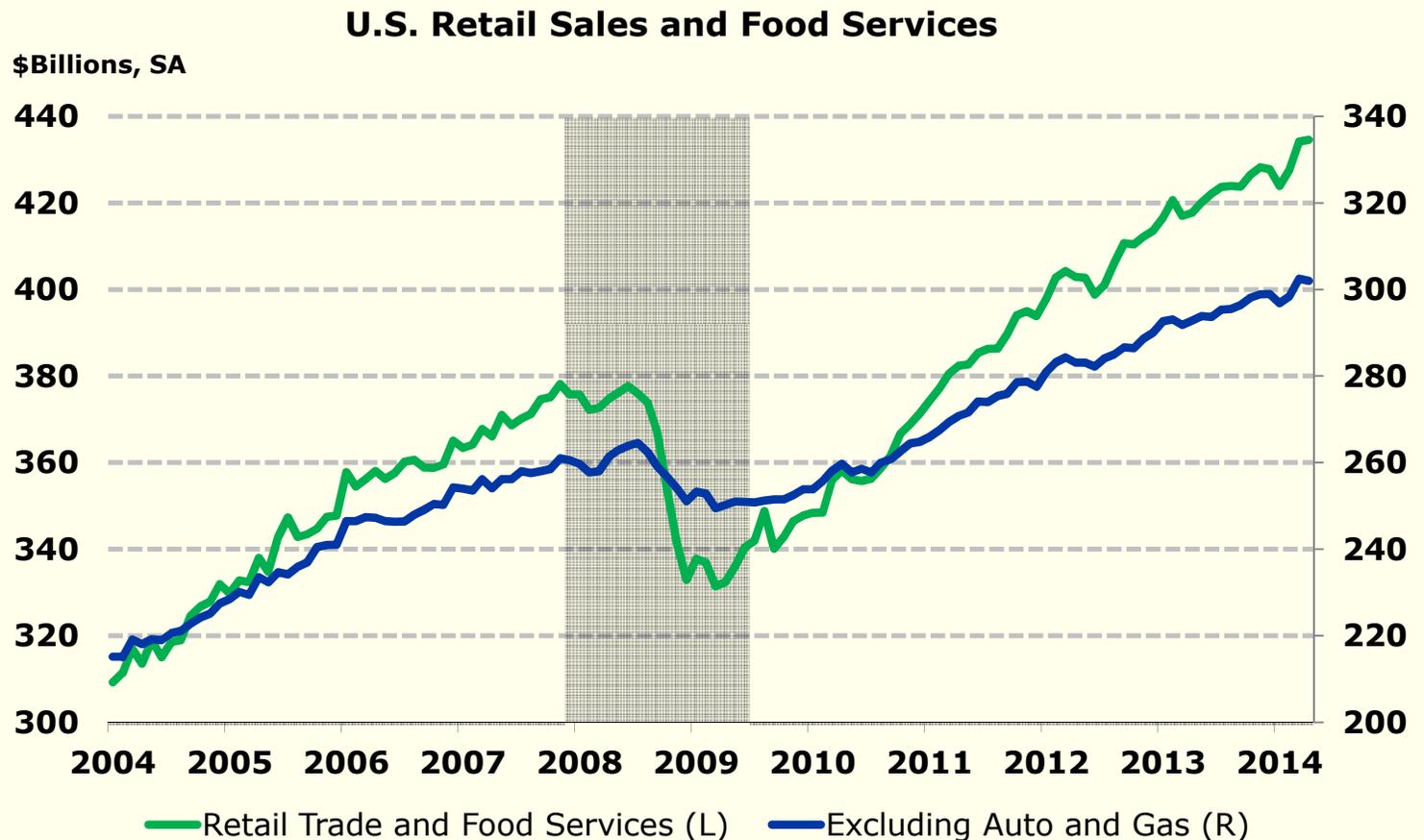
Source: Institute of Supply Management; data through April 2014



U.S. retail sales growth is moderate

Preliminary U.S. retail trade and food services sales were up 4.1% year over year in March and 4.0% in April

Excluding autos and gas, sales were up 3.6% year-over-year in March and 3.1% in April



Source: U.S. Department of Commerce, Census Bureau; Data through April 2014 advance

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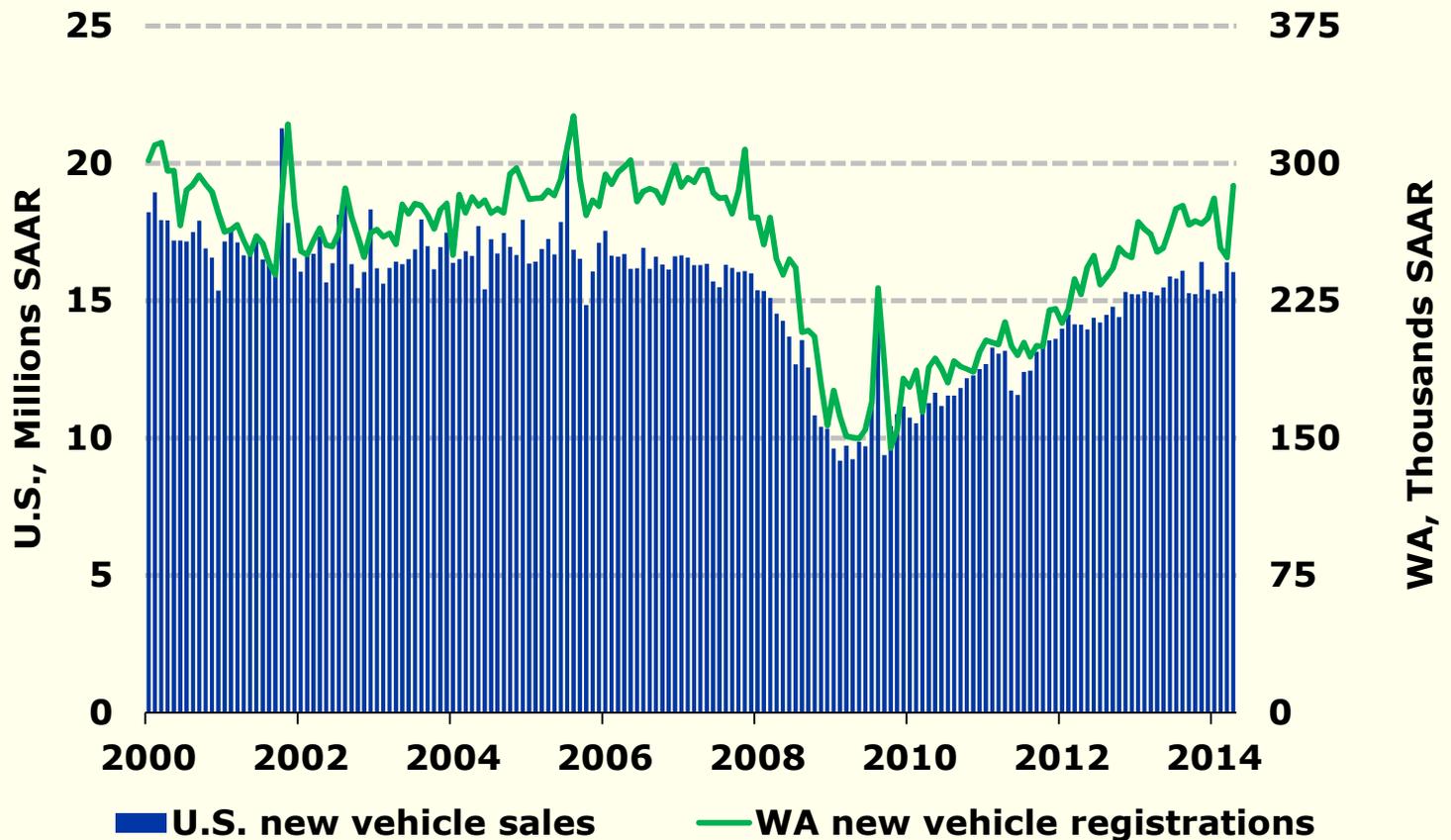
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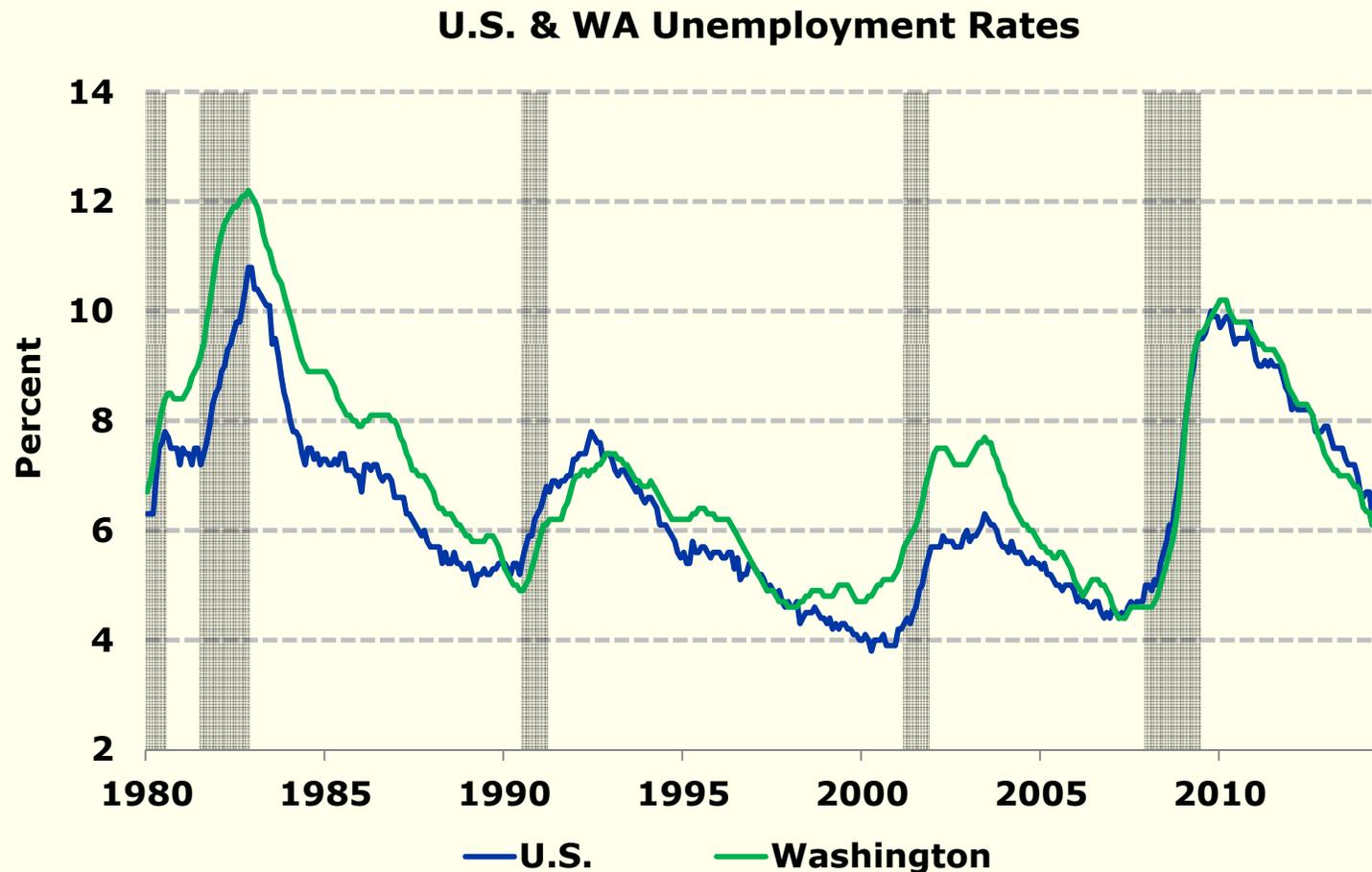
Vehicle sales trend has been positive but may be slowing

WA new vehicle registrations in April reached a post recession high





The unemployment rate continues to fall



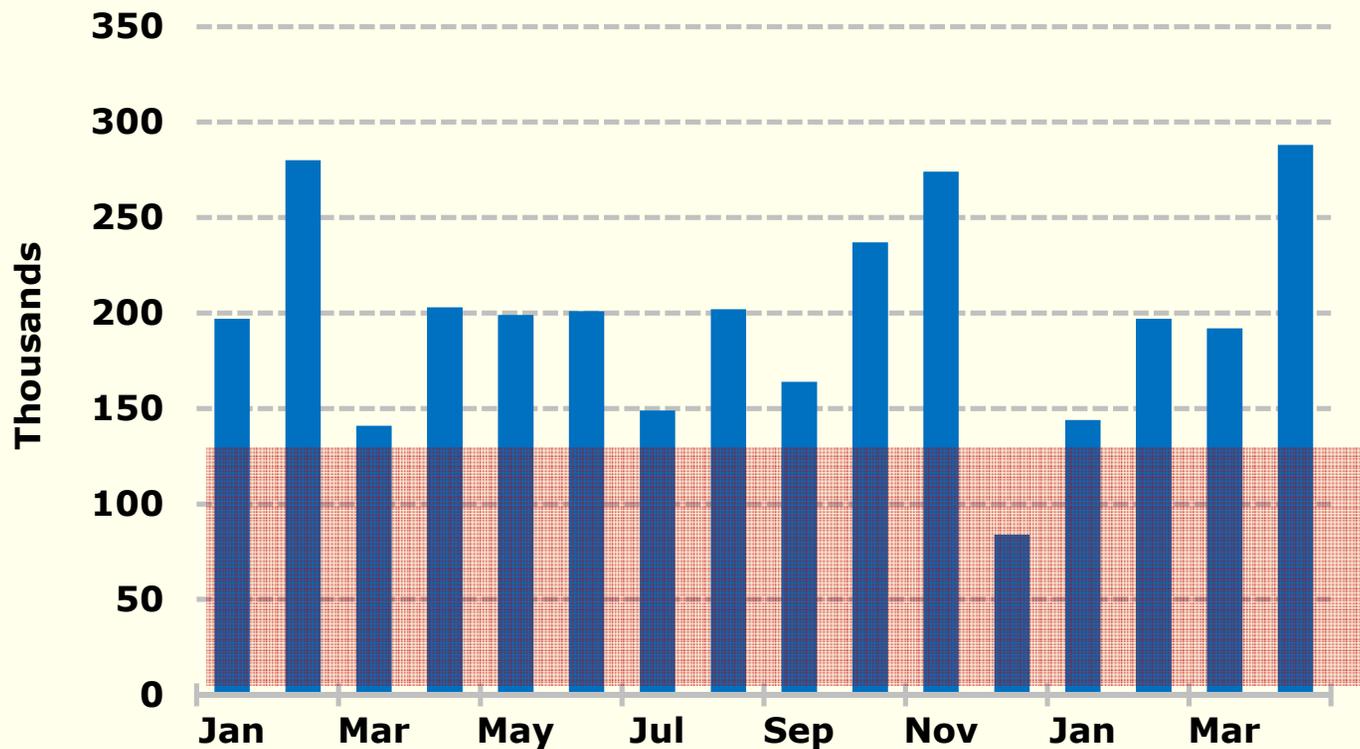
Source: Bureau of Labor Statistics, data through April 2014



Job growth remains modest

The economy needs to add roughly 125K jobs each month just to keep up with growth in the labor force

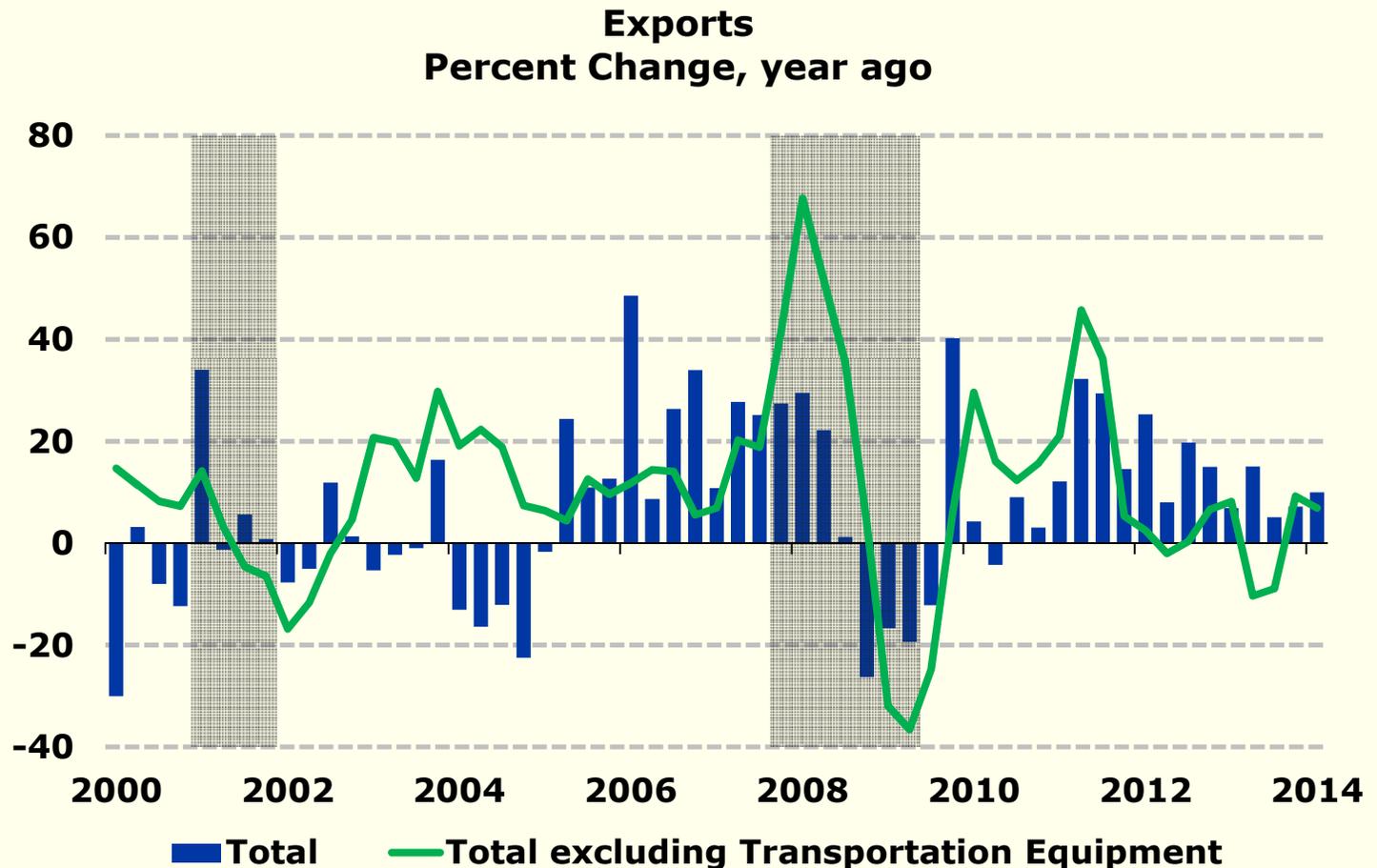
Net New Jobs, U.S.



Source: Bureau of Labor Statistics, data through April 2014



WA Non-transportation equipment export growth back in positive territory



Source: Wisser Trade Data; through 2014Q1



Home sales: an upward trend, but weaker in the last three months



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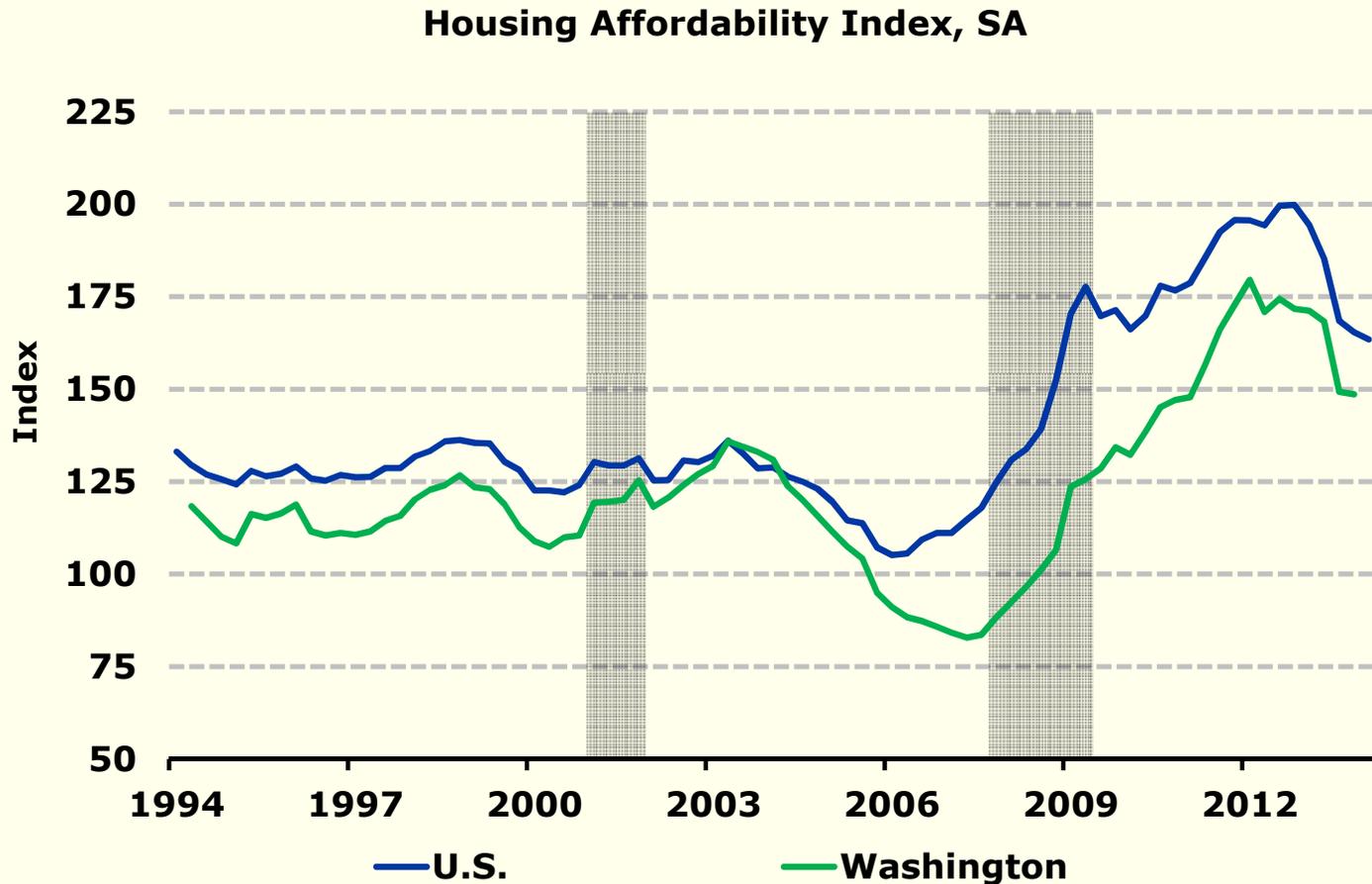
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Source: National Association of Realtors; data through March 2014

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Rising mortgage rates and home prices have reduced affordability



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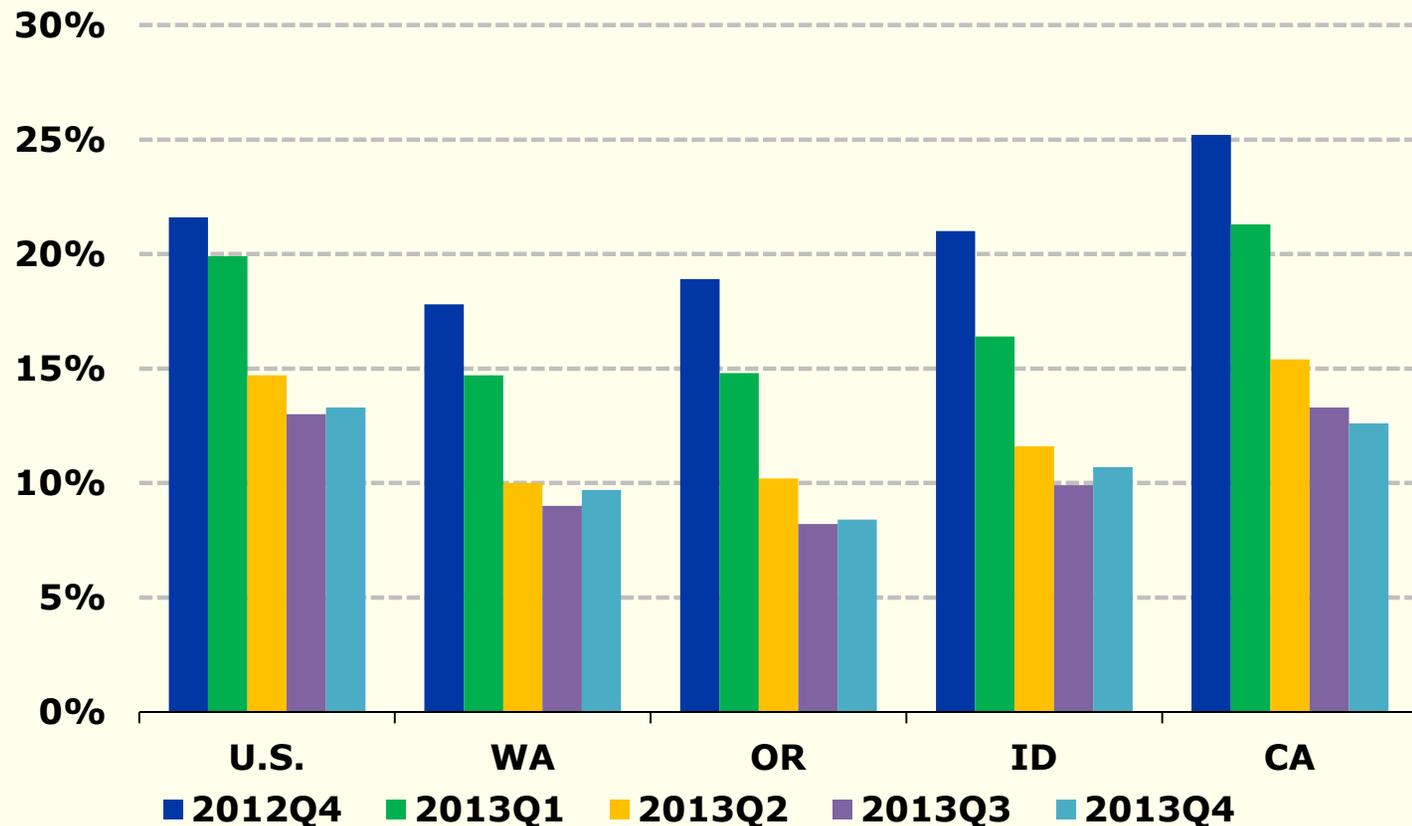
Source: Global Insight, WA Center Real Estate Research, ERFC; data through 2014Q1

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Rising home prices have reduced the number of underwater mortgages

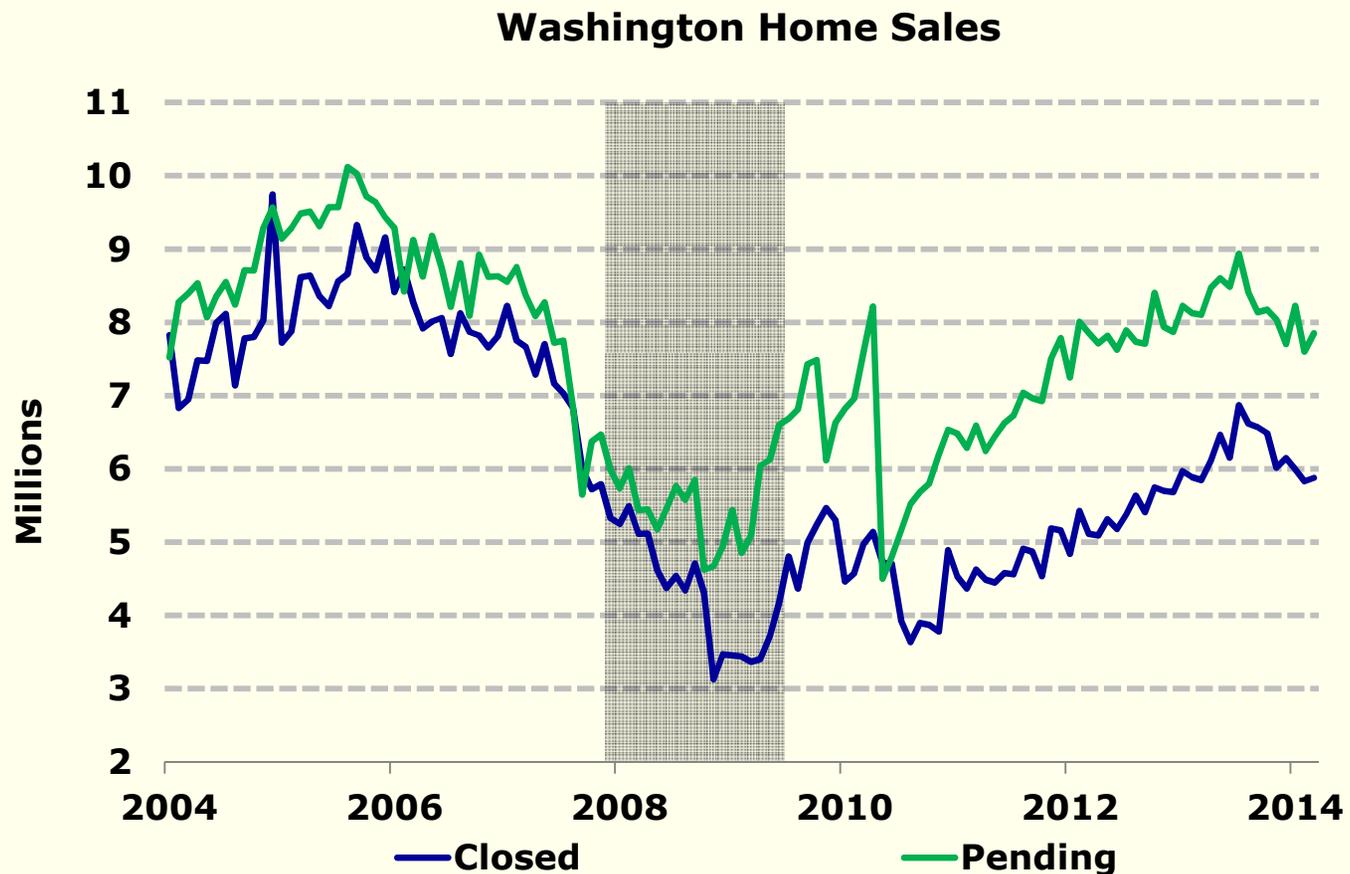
Percent of mortgages with negative equity



Source: CoreLogic, ERFC, data through 2013Q4



Washington home sales have been trending downward recently



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Source: NWMLS, ERFC; data through March 2014

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REET base flattening but large commercial sales are still strong

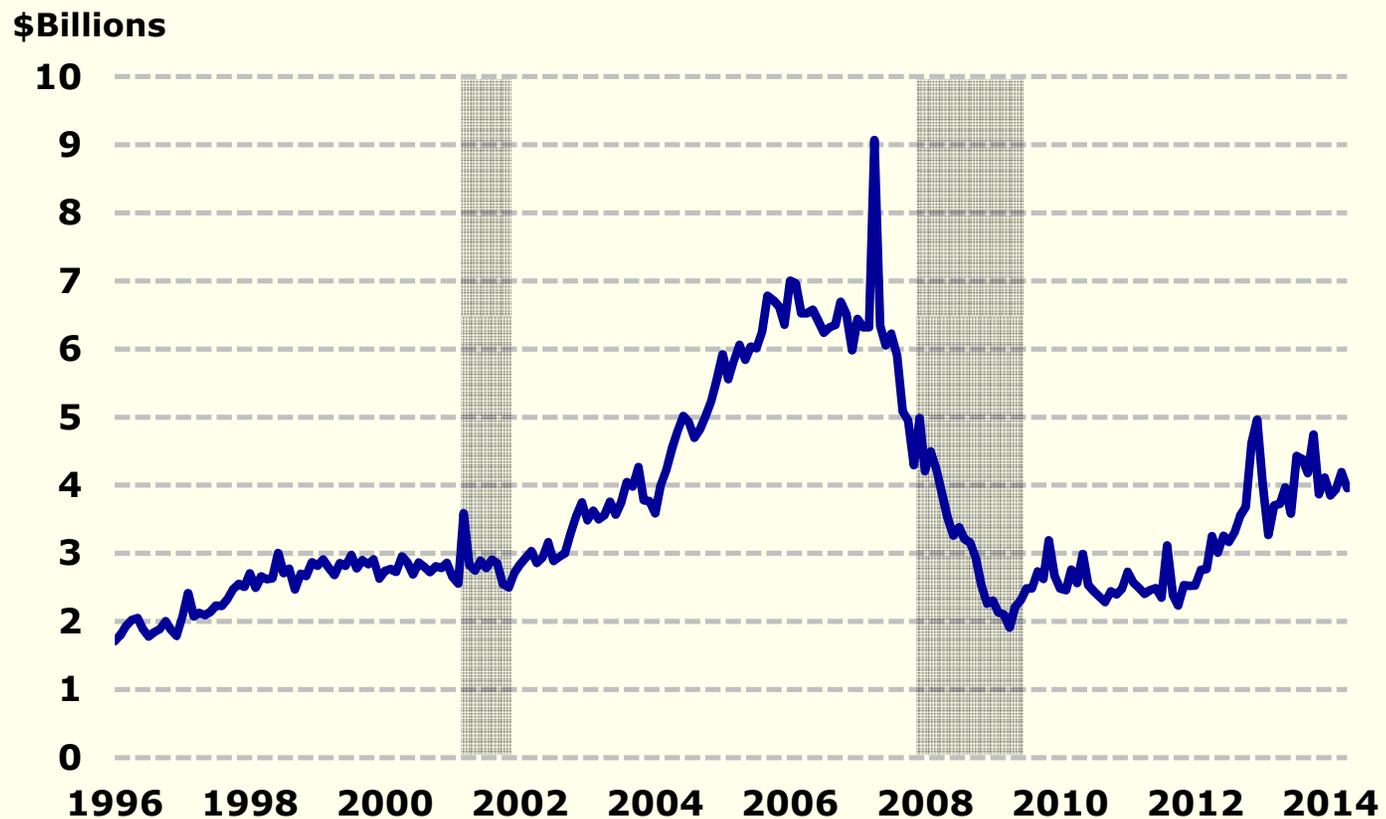
Even after last year's rush in sales of commercial property due to federal tax changes, large commercial sales are still occurring at an above-average rate

Total residential activity has flattened even though prices are strong

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Seasonally Adjusted Taxable Real Estate Excise Activity



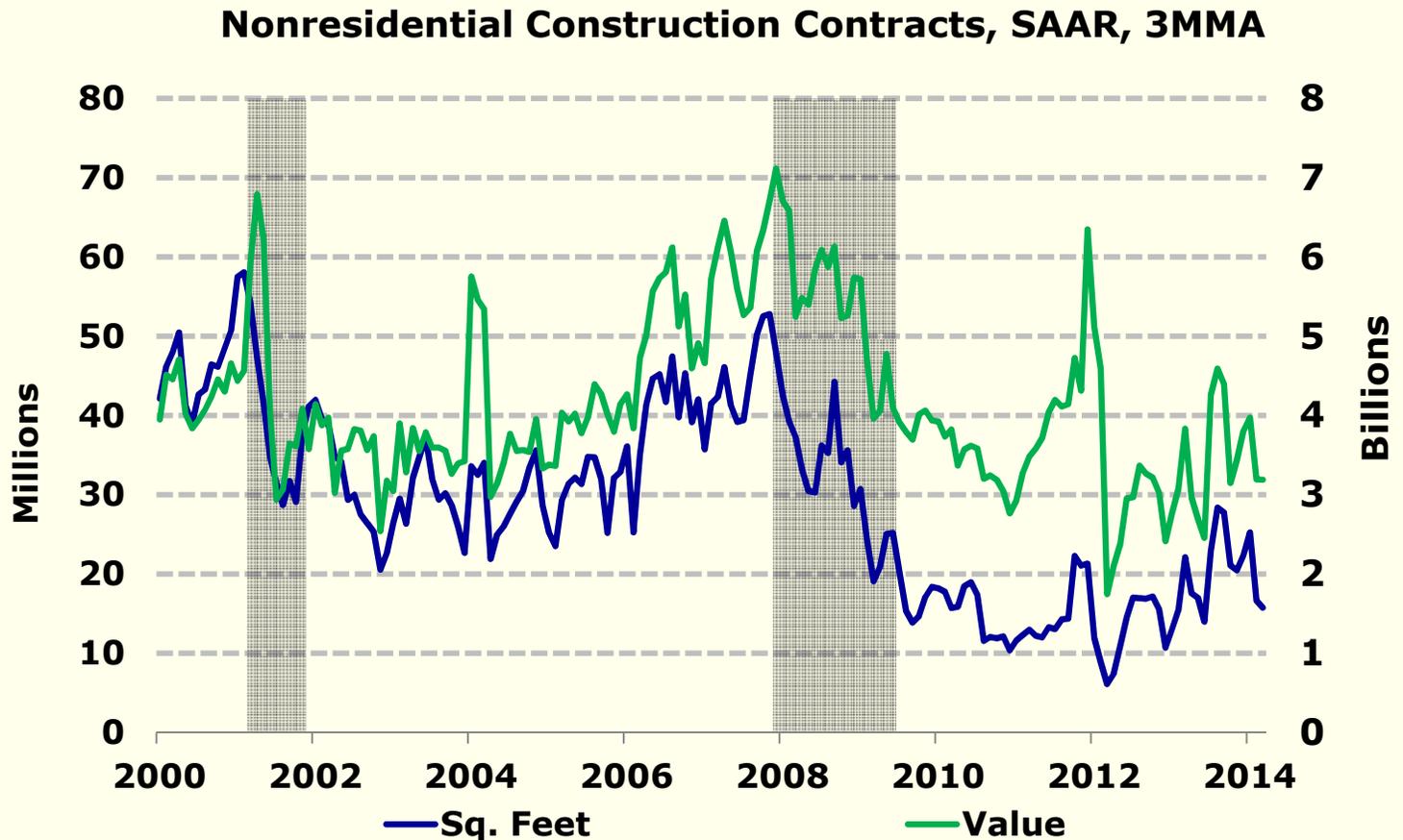
Source: ERFC; Monthly data through April 2014 preliminary

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Contract data: non-residential activity volatile but trending up

Non-Residential square footage is down 29%, and value is down 17% year over year (3mma).

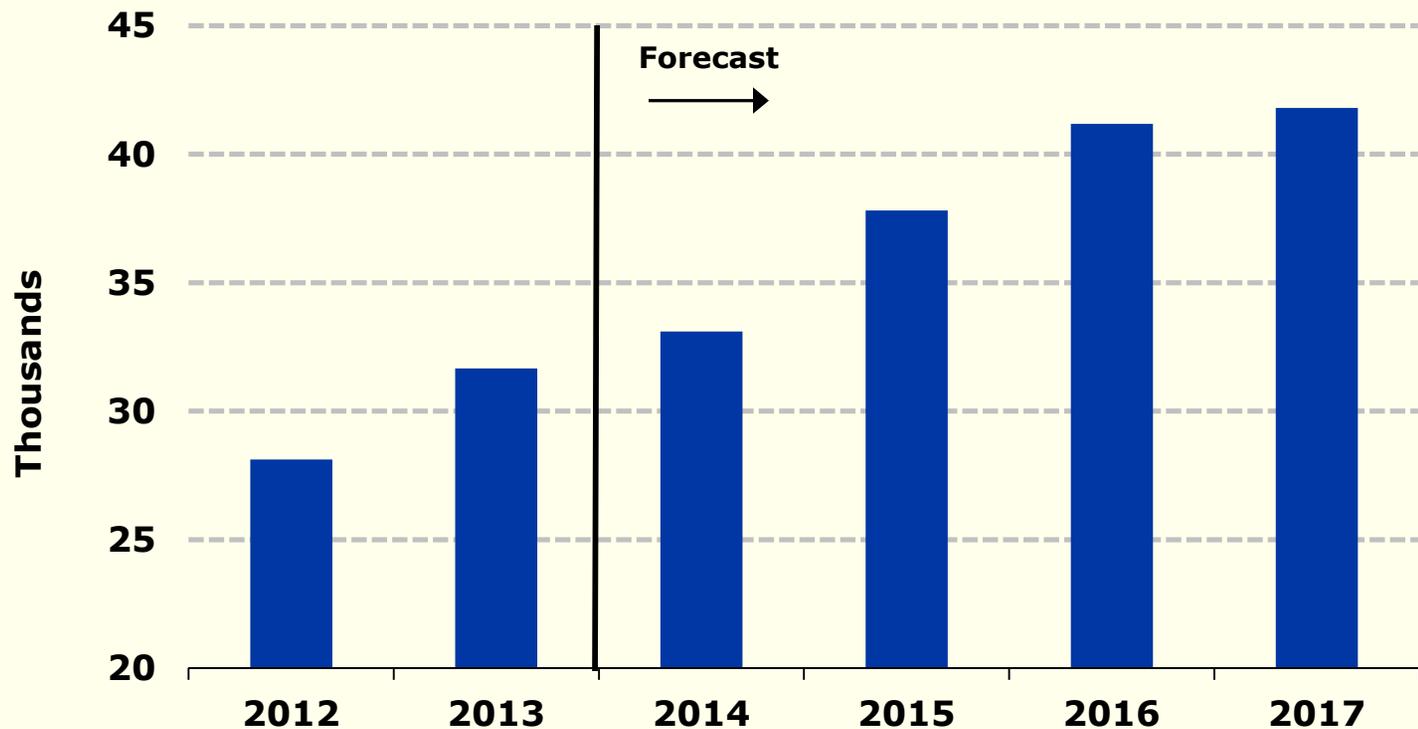


Source: Dodge, ERFC; data through March 2014



Washington housing permits are expected to increase through 2017

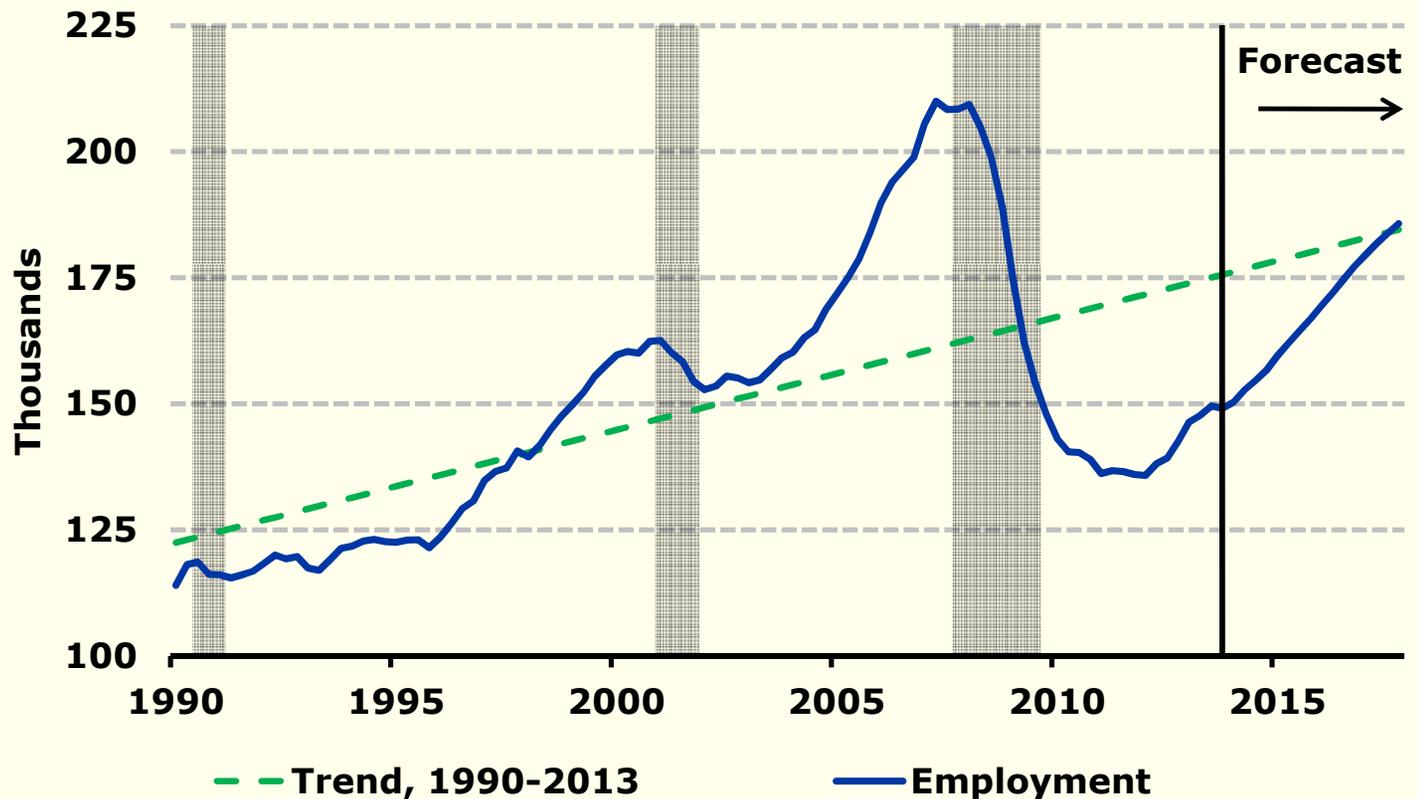
Washington Housing Permits





Washington construction employment is recovering

Washington Construction Employment

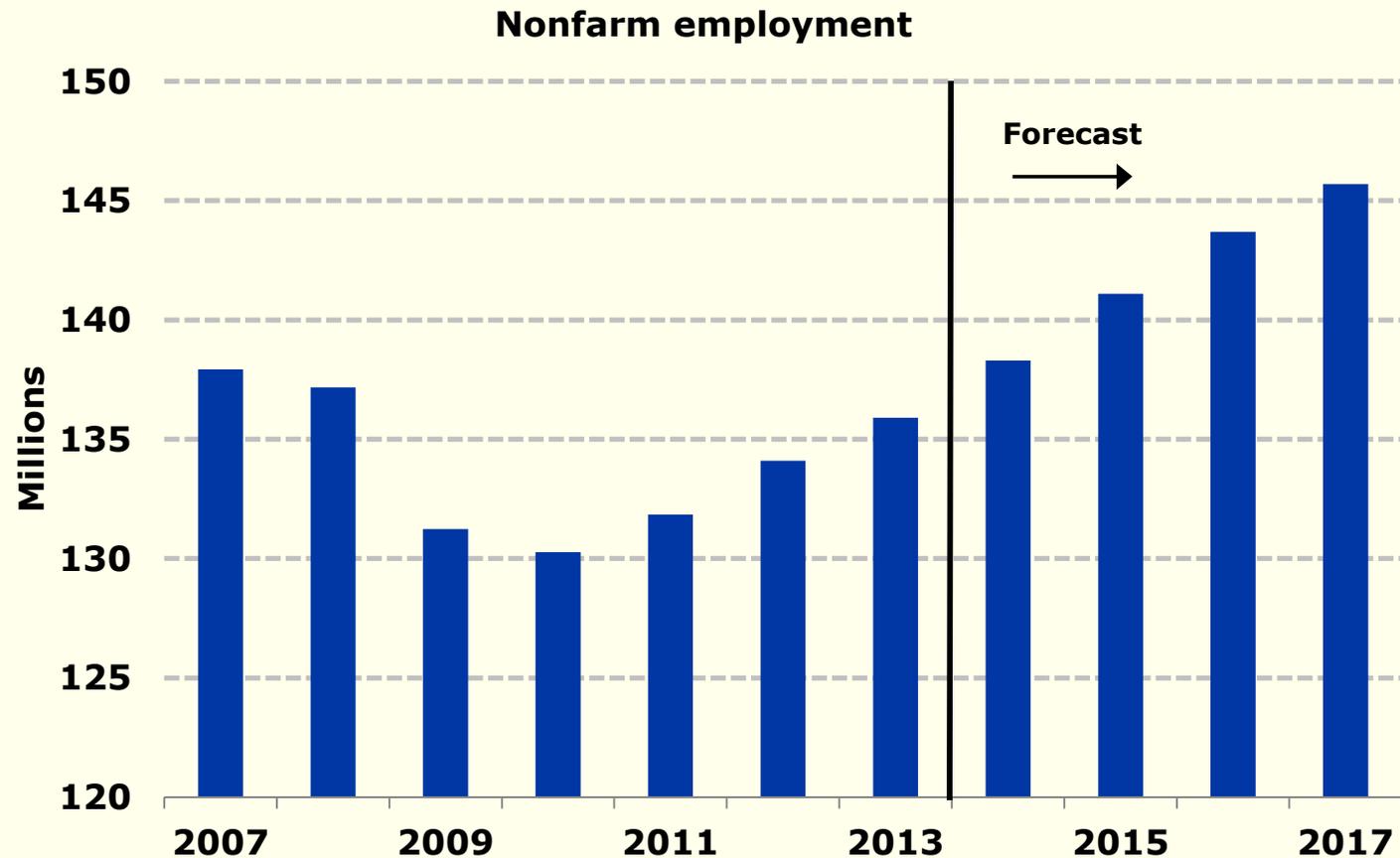


Source: ERFC February 2014 forecast; historical data through 2013Q4



U.S. nonfarm employment is expected to grow 1.7% this year after 1.6% growth in 2013

U.S. payroll employment growth is expected to average 1.8% over 2014 - 2017



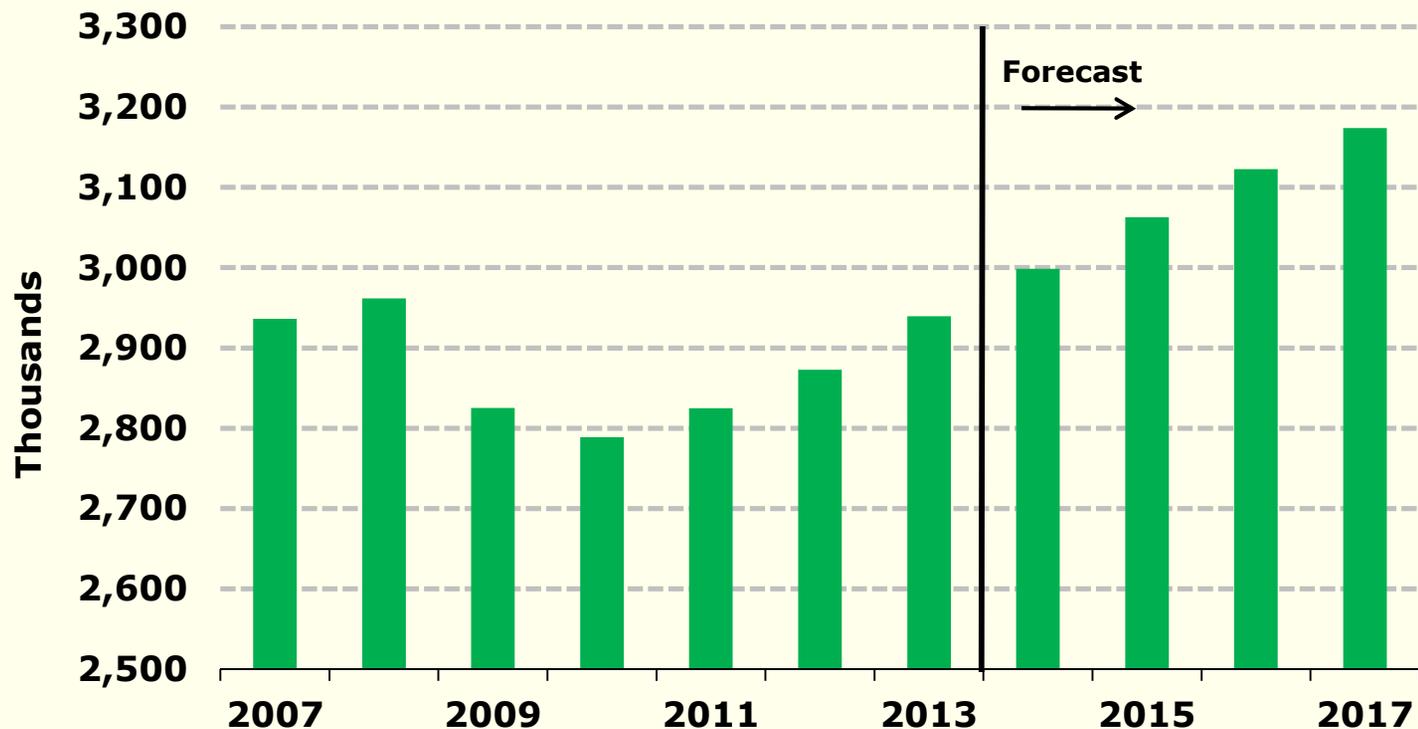
Sources: BLS; ERFC February 2014 forecast



Washington payroll employment growth is expected to average 1.9% over 2014 - 2017

Washington payroll employment growth was 2.3% in 2013 and is forecasted at 2.0% in 2014

Washington Nonfarm Payroll Employment

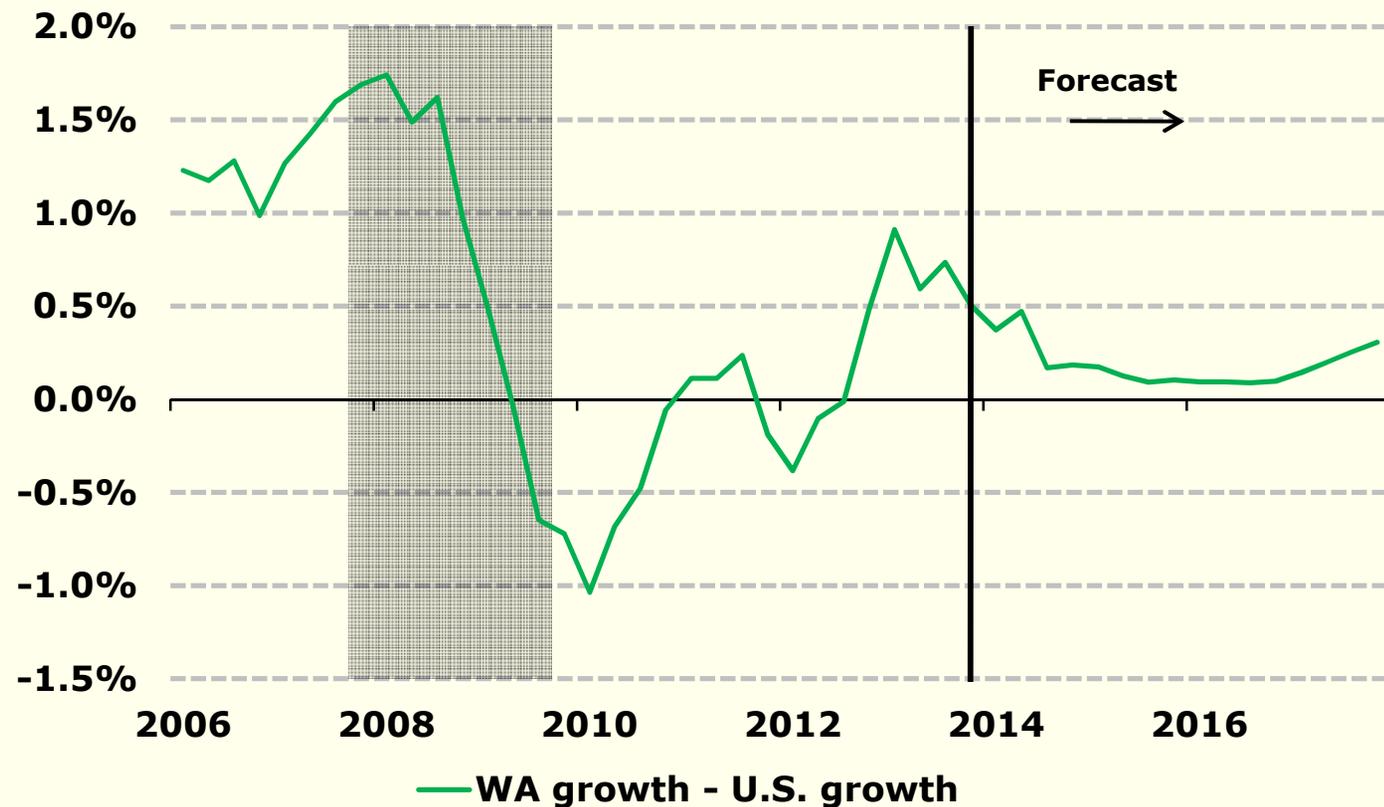


Source: ERFC February 2014 forecast; historical data through 2013



Washington employment will grow slightly faster than the U.S.

Difference in Nonfarm Employment Growth

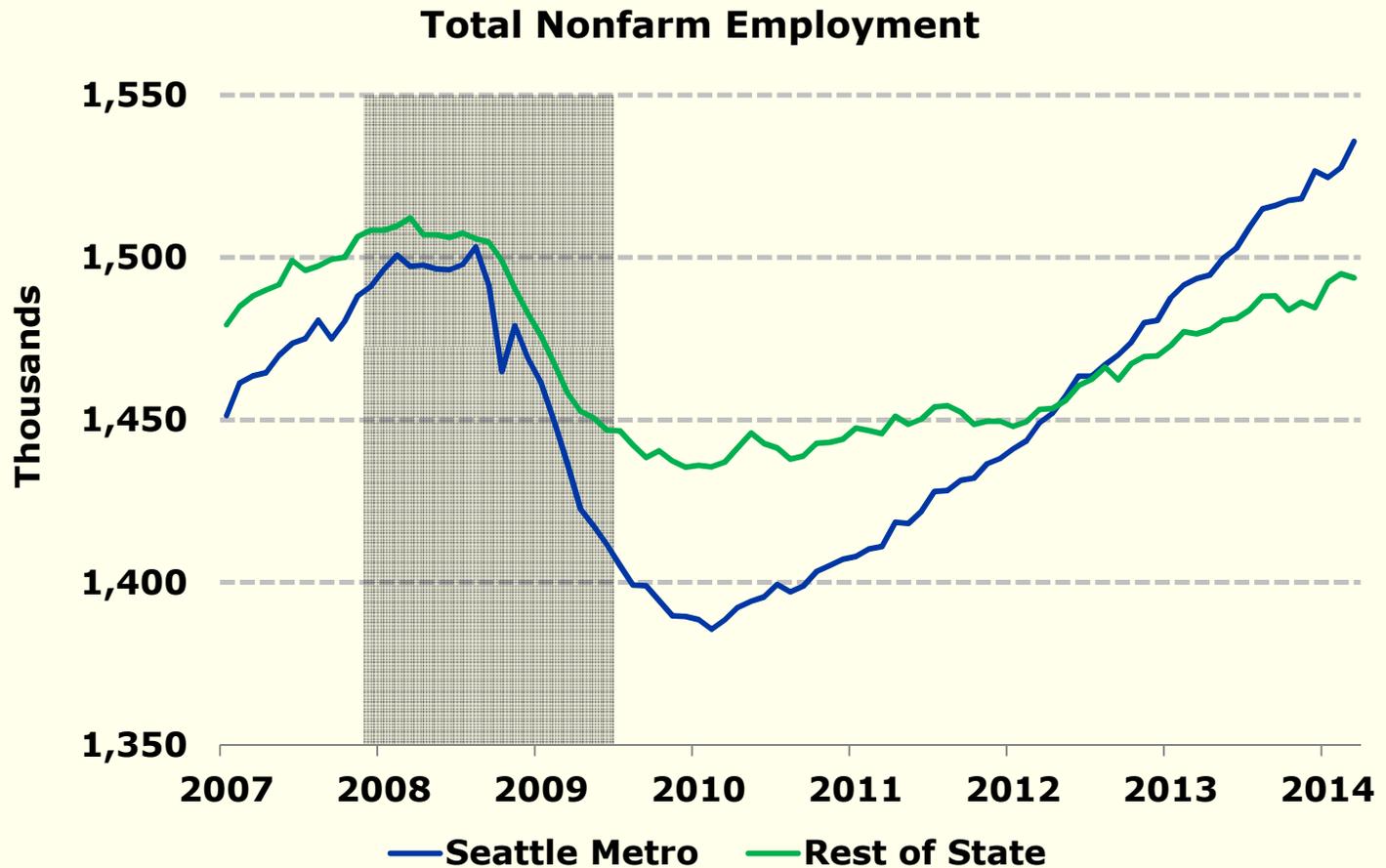


Source: ERFC February 2014 forecast; historical data through 2013Q4



Seattle area employment is growing much faster than the rest of the state

Outside of Seattle metro area, employment is below its pre-recession peak

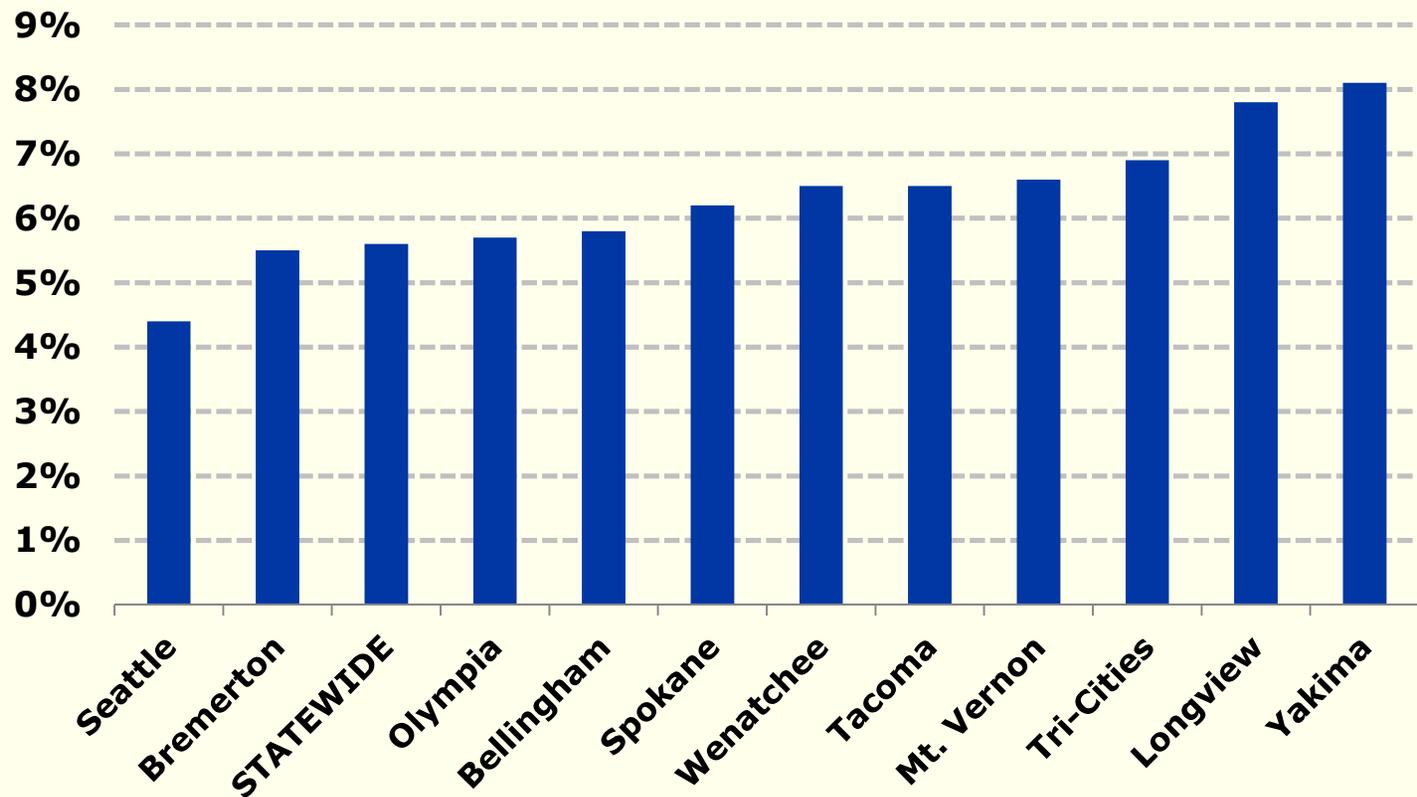


Source: Employment Security Department, ERFC; data through March 2014



Seattle: lowest unemployment rate of state metro areas

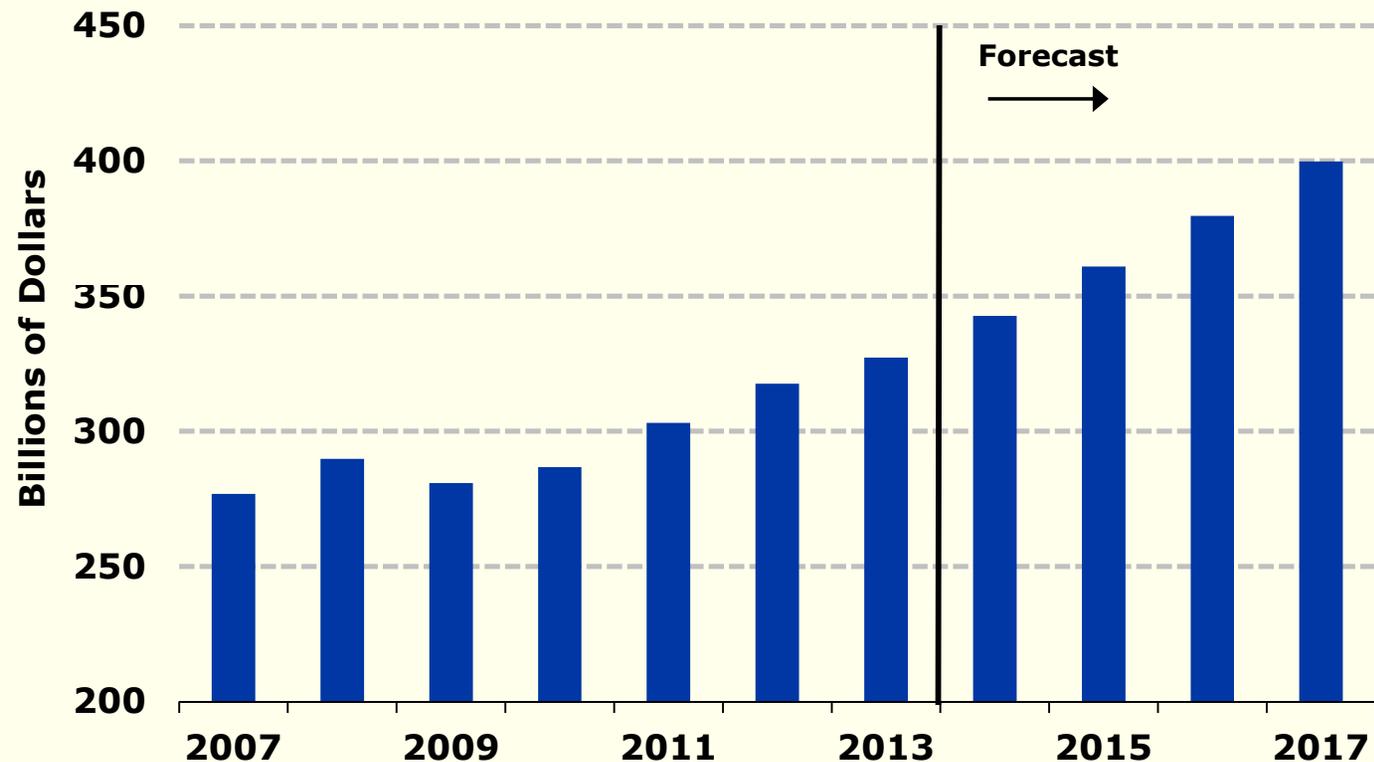
April 2014 Unemployment Rate (NSA)





Washington personal income is forecast to average 5.1% annual growth over 2014 – 2017...

Washington Personal Income





...but personal income is growing at below-average rates

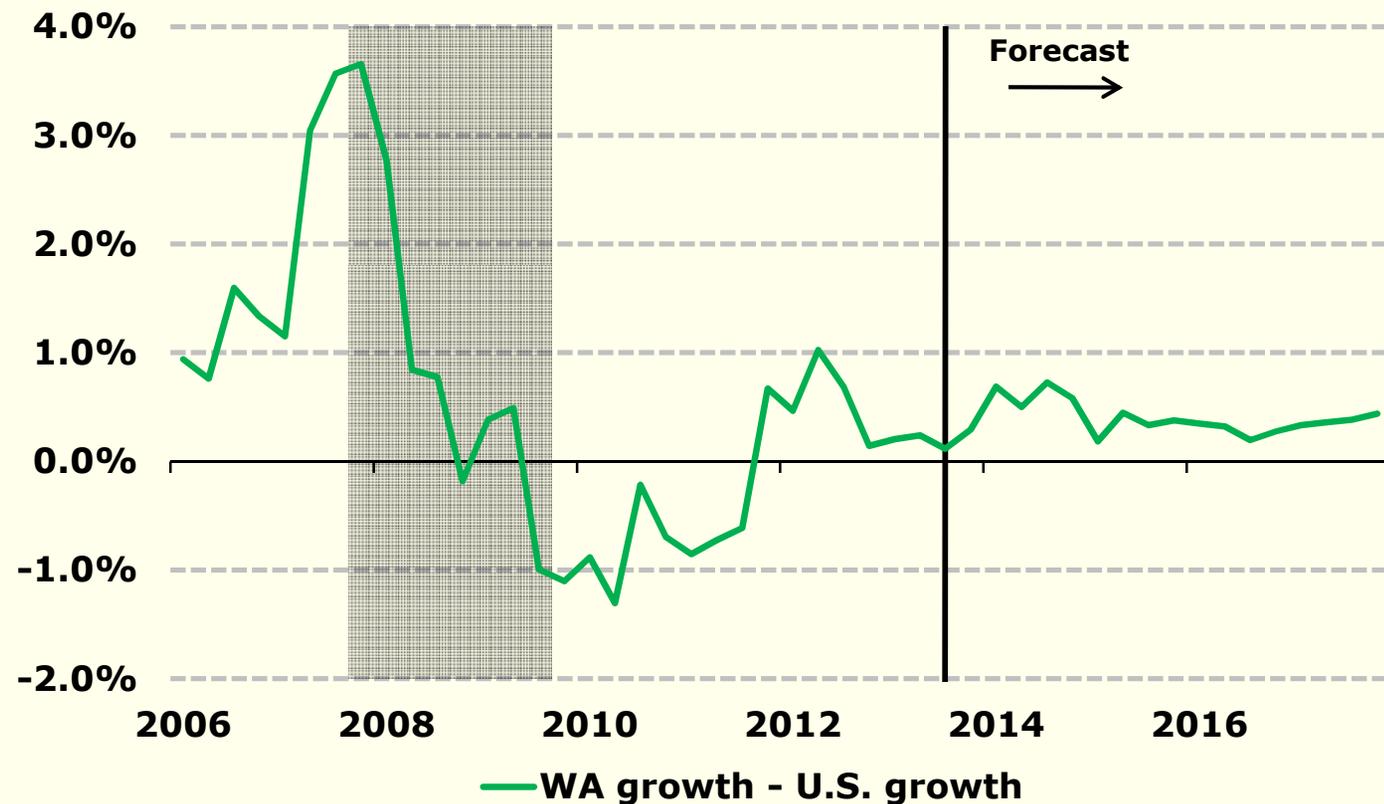


Source: BEA, ERFC; historical data through 2013Q3



State personal income will grow slightly faster than the U.S.

Difference in Personal Income Growth



Source: ERFC February 2014 Forecast; historical data through 2013Q4



Seasonally adjusted Revenue Act collections still on an upward trend

Revenue Act taxes are sales, use, B&O, public utility and tobacco products

Adjusted Revenue Act growth Y-O-Y:

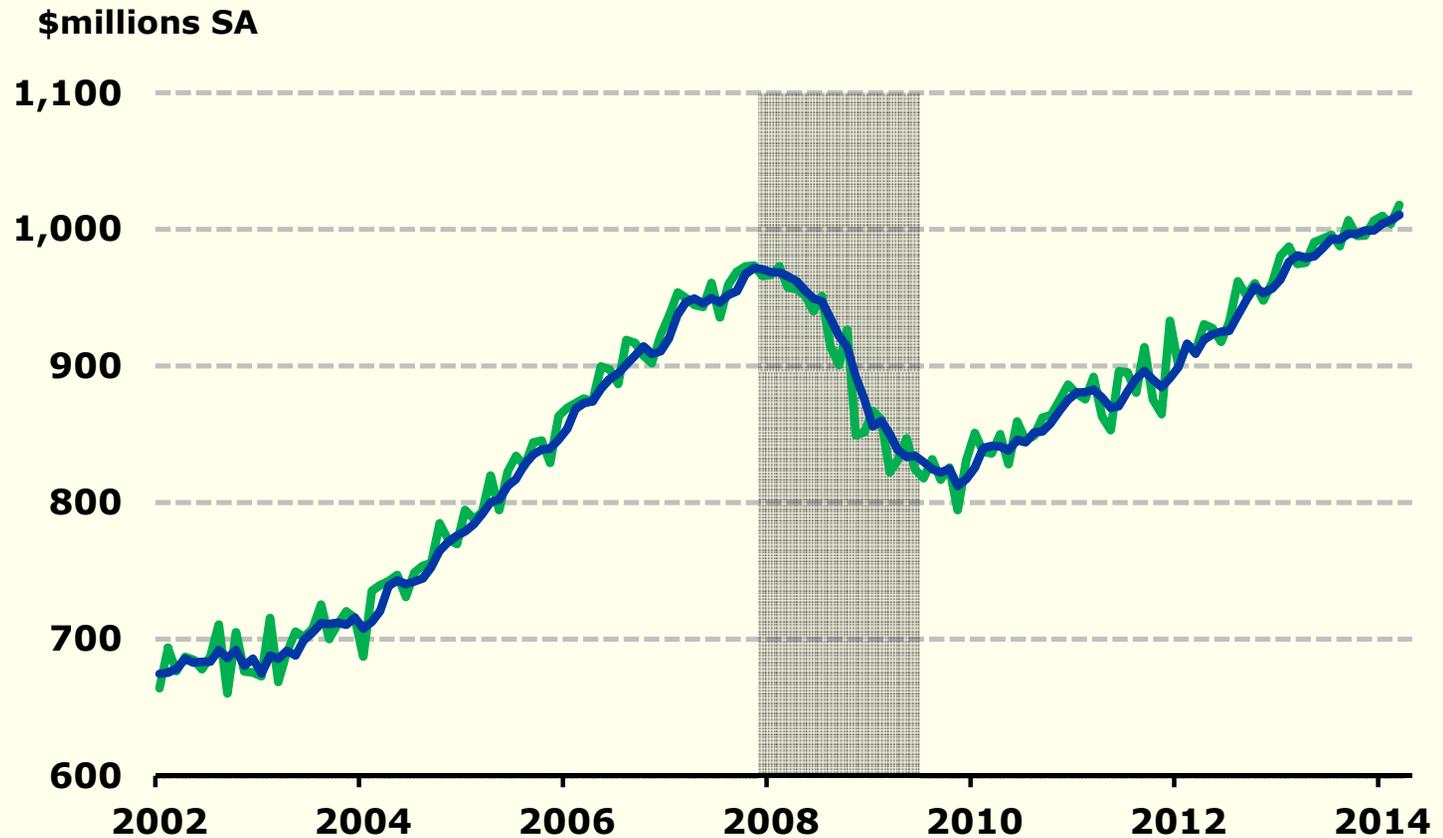
13Q3: 5.2%
13Q4: 4.0%
14Q1: 2.5%

Excluding expired surcharge:

13Q3: 7.5%
13Q4: 7.5%
14Q1: 4.9%

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* Adjusted for large one-time transactions, amnesty payments, and reporting frequency change, current definition of Revenue Act

Source: DOR and ERFC; monthly data through estimated March 2014 activity

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Sales tax collection growth faltered in Q4 2013 but has since resumed

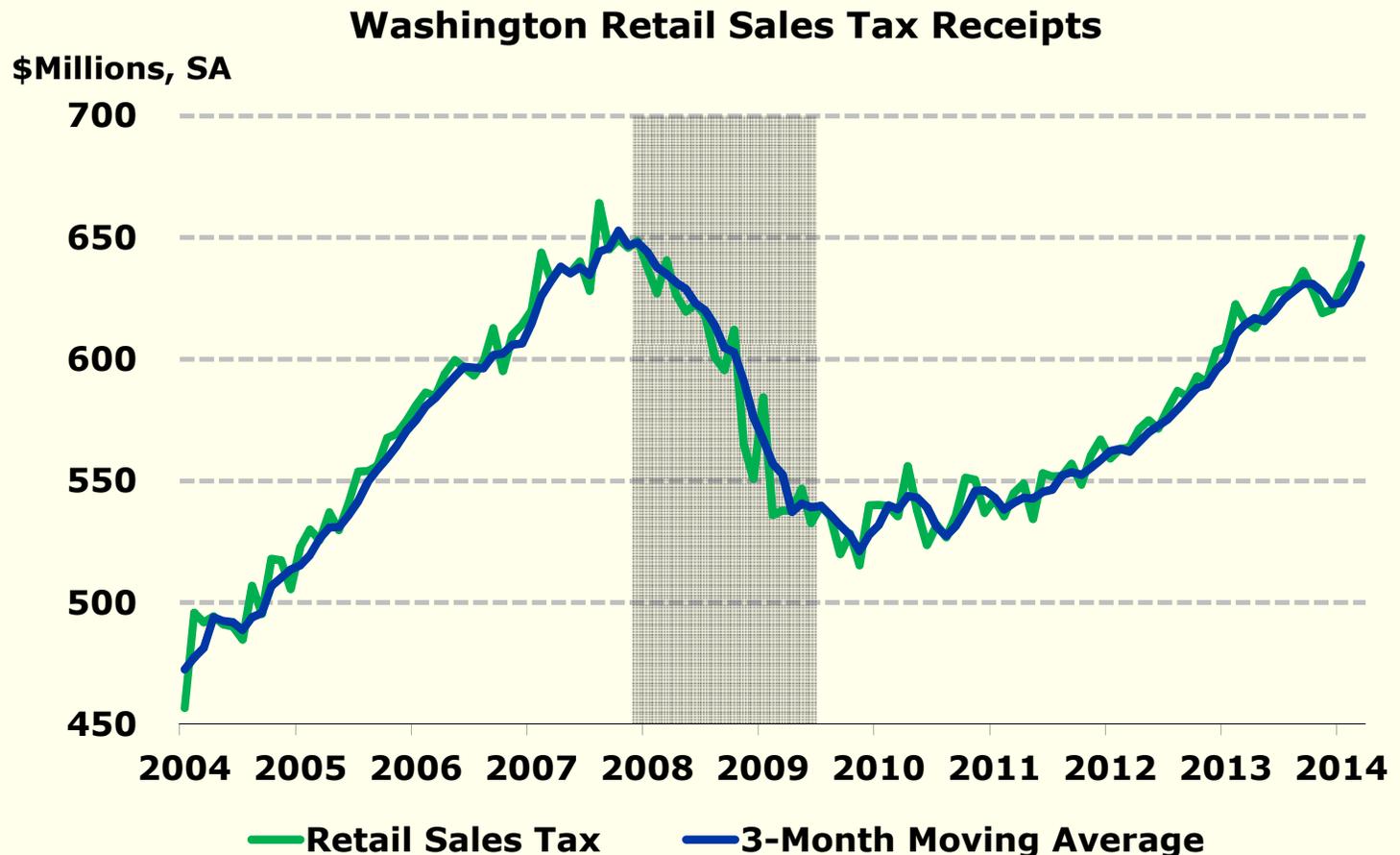
Adjusted sales tax collections were up 4.0% year-over-year for first quarter activity and 4.5% for the fourth quarter of 2013.

Preliminary collections for March activity were up 5.6% year-over-year

Y-O-Y construction activity growth has slowed

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Adjusted for large payments/refunds, amnesty payments and taxpayer reporting frequency change

Source: ERFC; Monthly data through March 2014 preliminary activity

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Surtax sunset reducing B&O but underlying Y-O-Y growth still strong

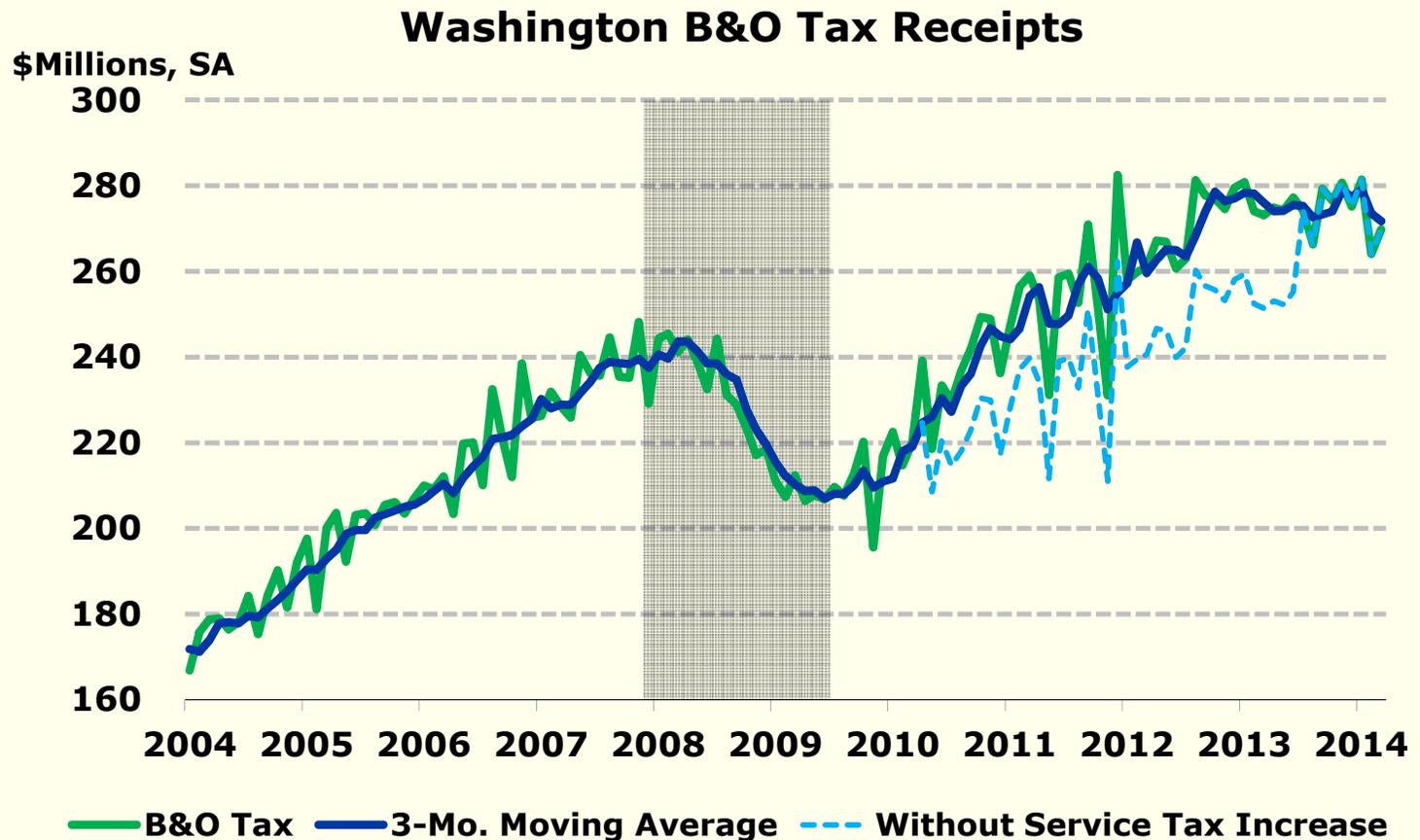
Adjusted B&O tax collections were down 1.5% year over year for first quarter activity

Collections would have grown 7.0% without last year's surcharge

Month-to-month growth has been flat to declining since last fall but the slowdown came after a large jump in revenue from spiking gas prices

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Source: ERFC; Monthly data through March preliminary activity

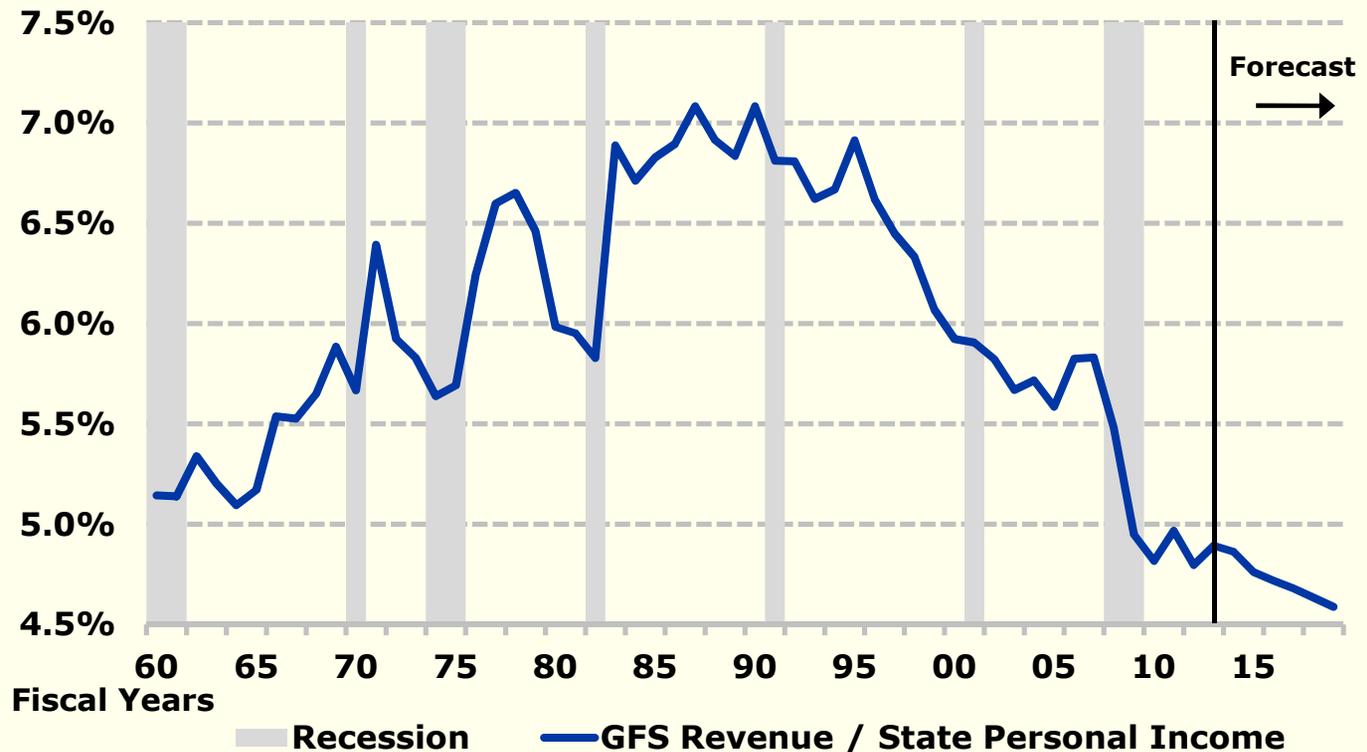
Adjusted for taxpayer frequency shift, amnesty payments, and recent large refunds

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GF-S revenue as share of personal income forecasted to reach record low

Total General Fund-State Revenue as Percentage of State Personal Income



*Current definition of Revenue Act

Source: ERFC; data through FY 2013, February 2014 forecast



Conclusion

- Moderate growth in both Washington and the U.S. is expected through the next biennium
- We expect the Washington economy to be slightly stronger than the U.S. economy
- The level of uncertainty in the forecast remains elevated, with considerable downside risks



Questions

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Olympia WA 98504-0912

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Business Licensing Service (BLS)

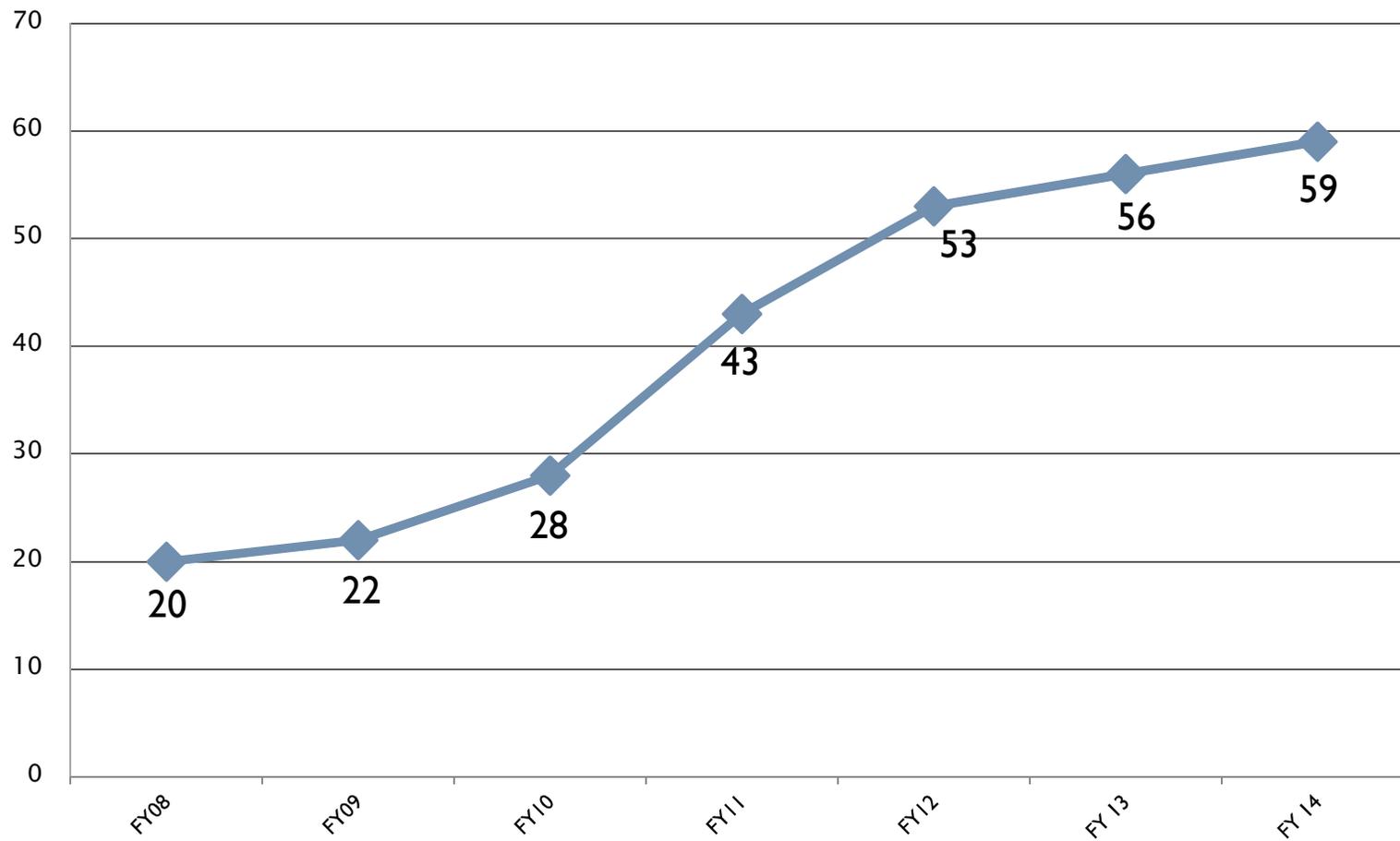
Janet Shimabukuro
Assistant Director
Taxpayer Services

About Business Licensing Service (BLS)

BLS is the clearinghouse for business licensing – offering more than 200 endorsements from 10 state agency partners and 70 licenses from 59 city partners.

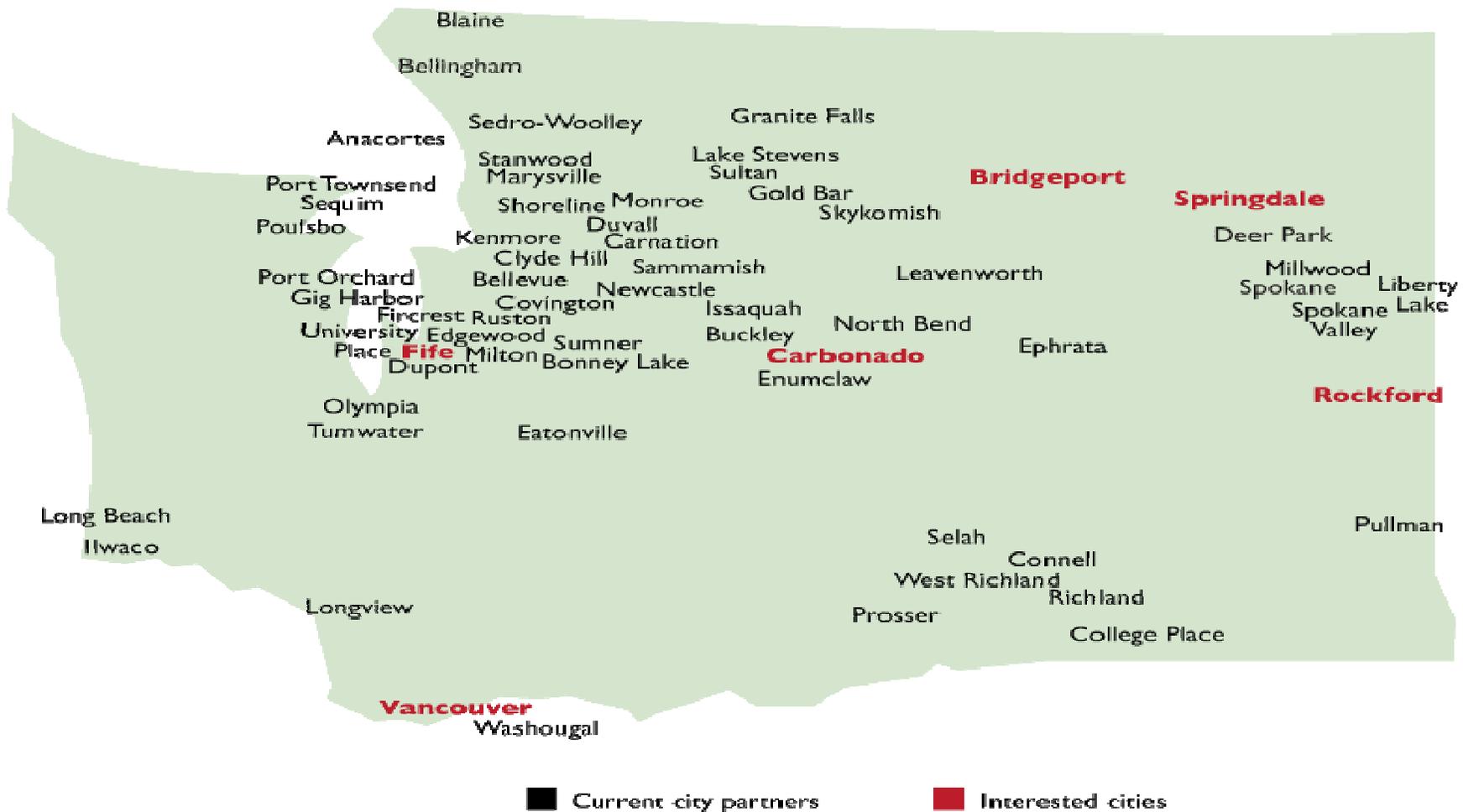
- ✓ Agriculture
- ✓ Ecology
- ✓ Employment Security
- ✓ Health
- ✓ Labor & Industries
- ✓ Liquor Control Board
- ✓ Licensing
- ✓ Lottery
- ✓ Revenue
- ✓ Secretary of State

BLS Continues to Add City Partners



Current/Anticipated City Partners

28% of the 212 cities that license businesses are currently part of BLS



Benefits of BLS to City Partners

- BLS handles all registrations and renewals
- Reduced printing/ mailing costs
- Increased compliance and tax discovery
- Reduced city staff time spent on license renewals (average .5 FTE savings)



BLS Improvements

- Added e-check as a free payment option; 32% of payments don't have a processing fee
- Added online password retrieval service for corporate renewal process
- Created a short path online application for businesses hiring minors
- I-502 implementation for marijuana producer, processor, and retailer licenses
- Withholding business license for new corporations until they register with Secretary of State
- Will mail renewal letters to drive online renewals (July 2014)
- Will begin passing credit card fees on to businesses (September 2014)

Tax and Licensing Systems Replacement

New system will:

- Use current architecture and technologies
- Be flexible and scalable
- Provide easily accessible reports
- Have user friendly interface

Tax and Licensing Systems Replacement

Next Steps:

- Fully staff the project
- Reach out to vendor community
- Re-issue RFP in fall of 2014
- Interview vendors
- Select vendor for the replacement in 2015

Questions?





Liquor Profit Distributions for Local Governments

Colin O'Neill, Budget Analyst
Liquor Control Board

Local Government Partnership Meeting
June 4, 2014



Liquor Profits Overview

- Per the language of Initiative 1183, Liquor Revolving Fund distributions to local governments should be “no less than the amount received in a prior comparable period.”
- For the purposes of implementing this language, October 2010 through September 2011 was determined to be a prior comparable period.
- Distributions out of the Liquor Revolving Fund to local governments for those four quarters (ending in Dec/Mar/Jun/Sept) was \$39.4M.



Liquor Profits Overview, cont.

- The initiative also provided an additional distribution of \$10M annually to local governments for “enhancing public safety”, bringing the total annual distribution to \$49.4M.
- ESHB 2823, enacted in the 2012 Legislative session, capped the local government distribution from the Liquor Revolving Fund at \$49.4M annually.



Liquor Profits Overview, cont.

- Projected distributions from the Liquor Revolving Fund in FY2014
 - ✓ Cities - \$39.4m
 - ✓ Counties - \$9.9m
 - ✓ Border - \$0.1m
 - ✓ General Fund - \$114.9m
- Projected distributions from the Liquor Revolving Fund in FY2015
 - ✓ Cities - \$39.4m
 - ✓ Counties - \$9.9m
 - ✓ Border - \$0.1m
 - ✓ General Fund - \$60.5m



Questions?

Colin O'Neill

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360-664-1675

Protecting Confidential Tax & Licensing Information

Sandra Hurley & Maureen O'Connell



Protecting Confidential Information

Before giving out information
ask yourself:

*“Is this confidential taxpayer (CTI)
or licensing Information (CLI)?”*



Confidentiality Laws

Public Records

- RCW 42.56.230(4)

Excise Tax

- RCW 82.32.330

Business Licensing Service

- RCW 19.02.115

Property Tax

- RCW 84.08.210
- RCW 84.40.020
- RCW 84.40.340



Data-sharing or Partnership Agreements

- Sharing of information for official purposes
- Know and understand limitations on use of information
- Amend the agreement if data use changes or is expanded



Secrecy Clause Affidavits

- Who? Each employee with access to confidential information
- What? Signed and notarized
- When? Complete and submit *before* access to information
- Where? Kept on file by local jurisdiction and DOR
- Why? Assure understanding of laws and penalties for violation



Tax and License Confidentiality Affidavit

(Secrecy Clause Affidavits)



Tax and License Confidentiality Affidavit

This form must be completed and signed by every individual (including mayor, councilmember, treasurer, city manager, etc.) with access to confidential tax or licensing information.

An individual who discloses confidential information to an unauthorized person is guilty of a misdemeanor. See RCW 82.32.330(6) and 19.02.115(5)

Acknowledgement of Confidentiality

I _____ employed by _____
(Print name)

swear or affirm that I have read and understand the requirements regarding the protection of tax and/or licensing information provided by the Department as stated in [RCW 82.32.330](#) and [19.02.115](#). I further understand that this information is privileged and confidential, and therefore shall not be disclosed to any person not entitled to knowledge of such information. I understand that my use or disclosure of confidential tax information may be further restricted by an information-sharing agreement.

Dated: _____
(Signature)

SUBSCRIBED AND SWORN TO before me this _____ day of _____, _____

(Signature of Notary Public)

Notary in and for the State of _____

Residing at _____

My commission expires _____

Authorization - Authorization is given by someone other than the person being given access to information.

I _____ of _____
(Print name and title) (Print jurisdiction)

authorize _____ who has a business need to access the following
(Print name and title)

from the Washington State Department of Revenue (check all that apply):

Licensing Information (available to BLS partners only) Tax Information

(Signature)

- Updated based on your feedback
- Return as instructed or if
 - Data sharing of tax information:
DORPublicRecords@dor.wa.gov
 - Local sales tax administration:
AndyV@dor.wa.gov
 - BLS Partner:
DORBLSPartner@dor.wa.gov

Data Security

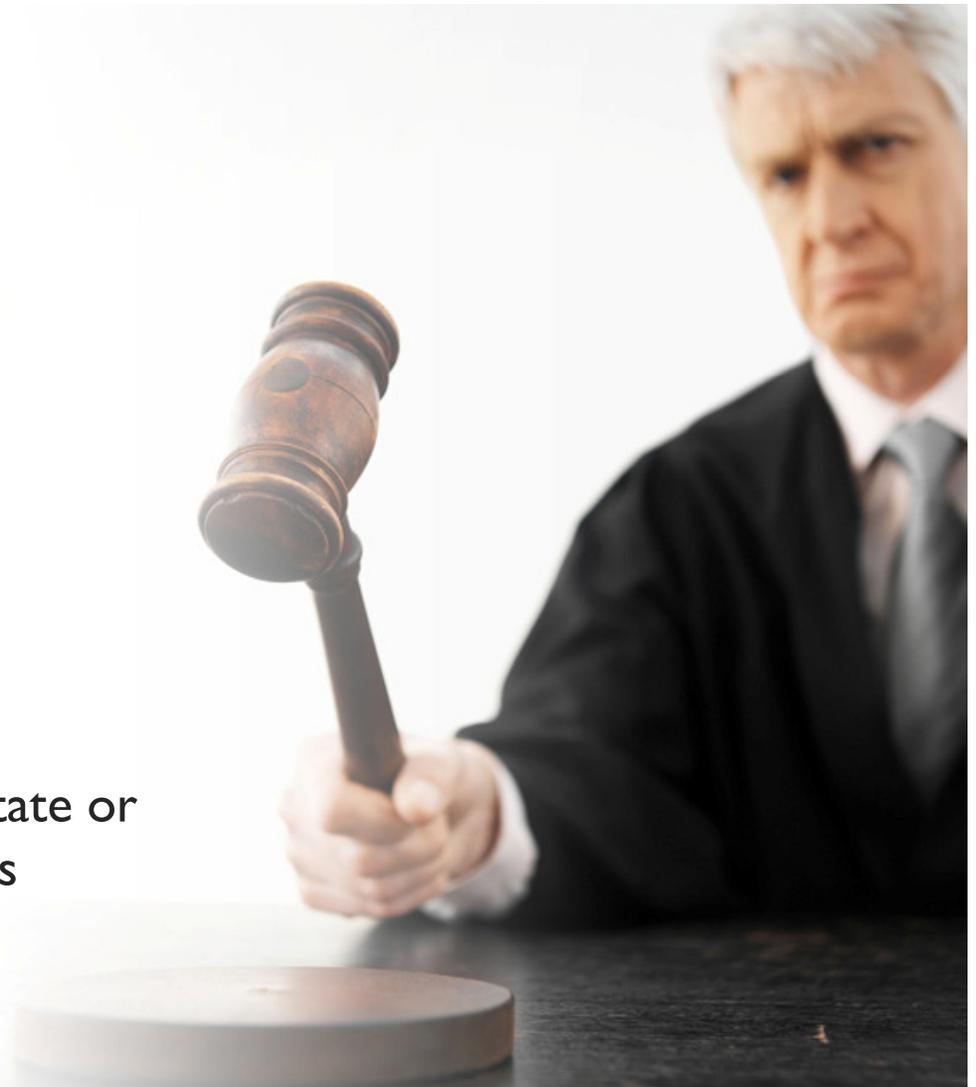
- Follow OCIO safeguarding standards (go to OCIO.wa.gov and search for *141.10*)
 - requirements for maintaining system and network security, data integrity and confidentiality
- Keep all data secure regardless of medium
- Key points to remember:
 - Print only information you need
 - Copy or download electronic data only as needed
 - Do not communicate confidential information via e-mail
 - Secure all data – electronic or paper – while in transit, in use, “at rest” and during disposal



Penalties for Breach of Confidentiality

RCW 82.32.330 & RCW 19.02.115

- Misdemeanor sanctions include:
 - Up to \$1,000 fine
 - Up to 90 days in jail
 - Loss of job
 - Barred from employment by state or local government for two years



Contact

Public Records Office

(360) 705-6647

DORPublicRecords@dor.wa.gov

Questions?



Break

Federal Legislation (Updates)

Tim Jennrich
Tax Policy Manager

Internet Tax Freedom Act, 47 U.S.C. 151 note

- Federal bill prohibiting states and local jurisdictions from
 - Imposing certain (e.g. sales and use taxes) taxes on Internet access and telecommunications used, sold, or purchased to provide Internet access; and
 - Multiple and discriminatory taxation of electronic commerce.
- Expires in November 2014
- Widely expected to be renewed, but there is uncertainty that ITFA will be renewed timely
- If not renewed timely, businesses, states, and local jurisdictions will need to determine if, what, and when preempted taxes must be remitted
 - E.g., Washington state and local retail sales taxes

Marketplace Fairness Act (MFA), *S. 743 and H.R. 684*

- Current law, state and local jurisdictions cannot require sellers to collect sales and use taxes unless the seller has a physical presence in a state
 - *Quill v. North Dakota, 504 U.S. 298 (1992).*
- U.S. Supreme Court in *Quill* invited Congress to relax this physical presence requirement
- In 2013, Congress responded to the invitation with introduction of “Marketplace Fairness Act of 2013” S.743/H.R. 684 (the “MFA”).
 - MFA would give state and local jurisdictions the right to require collection of sales and use taxes from sellers with no in-state physical presence

Estimate of State and Local Sales Tax Gain July 1, 2014 effective date (All \$'s in Millions)

	2013-15 Biennium	2015-17 Biennium	2017-19 Biennium
Total Potential WA Remote Sales Revenue	\$421.8	\$968.3	\$1,119.8
Net LOCAL Sales Tax Gain****	\$52.8	\$219.8	\$276.2
Net STATE Sales Tax Gain****	\$138.5	\$493.2	\$542.6

- Department estimates provided as of February 2014; for the complete estimate see DOR's website at http://dor.wa.gov/docs/reports/marketplace_fairness_act.pdf
- Assumes passage of the MFA by April 1, 2014 and collections starting July 1, 2014.
- These estimates do not include remote sales by individual persons on market place platforms.
- Small seller exception: Exempts sellers with \$1.0 million or less in annual gross receipts from total U.S. remote sales; representing a 3% of total remote sales loss. (Source: 2012 Internet Top 500 E-Retailers.)
- Gain estimates take into account application of an assumed compliance factor.

The MFA and the Legislative Process?

- Introduced in both the U.S. House and Senate on February 14, 2013; passed in the Senate May 2013 on a vote of 69-27
- U.S. House of Representatives
 - Hearing: Exploring Alternative Solutions on the Internet Sales Tax Issue
 - Representative Chaffetz (UT) and a new house bill
 - ✓ Simplified audit
 - ✓ Small seller exception
 - ✓ Software and services

Other Bills as Potential Amendments to Remote Seller Legislation

- Internet Tax Freedom Act, *S. 1431, H.R. 434, etc.*
- Digital Goods and Services Tax Fairness Act of 2013, *S. 1364 and H.R. 3724*
- Business Activity Tax Simplification Act of 2013, *H.R. 2992*

Remote Seller Legislation and the Future

- When can we expect movement again on the issue?
- Should we expect the following to be part of future federal legislation:
 - Separate options for Streamlined and non-Streamlined states?
 - Destination-based sourcing?
 - Tax base uniformity?
 - Inclusion of seller collection tools (software and services)?
 - Inclusion of liability relief for sellers and seller agents referred to as “certified software providers”?
 - Required notice of rate changes?
 - Central administration of sales and use tax?

Contact

Tim Jennrich

Tax Policy Manager –

Excise Tax Advisories (ETAs) and Special Projects

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Questions?



E911 Tax Impacts from 2E2SHB 1971

Andy Van Gerpen
Local Sales Tax Manager



Impacts of 2E2SHB 1971

- Expiration of sales tax exemption for residential landline phone service (August 1, 2013)



- Changed E911 taxes on prepaid phone services (January 1, 2014)
 - Tax on retail transaction instead of number of lines

Impacts of 2E2SHB 1971

- Sales tax exemption expiration effective August 1, 2013
 - Minor increase in sales tax revenues
 - Decrease in “switched access” (wireline) phone usage
- E911 prepaid tax change effective January 1, 2014
 - Shift collection responsibility from telecommunication businesses to retail outlets
 - Compliance concerns
 - Concerns with decreased revenue

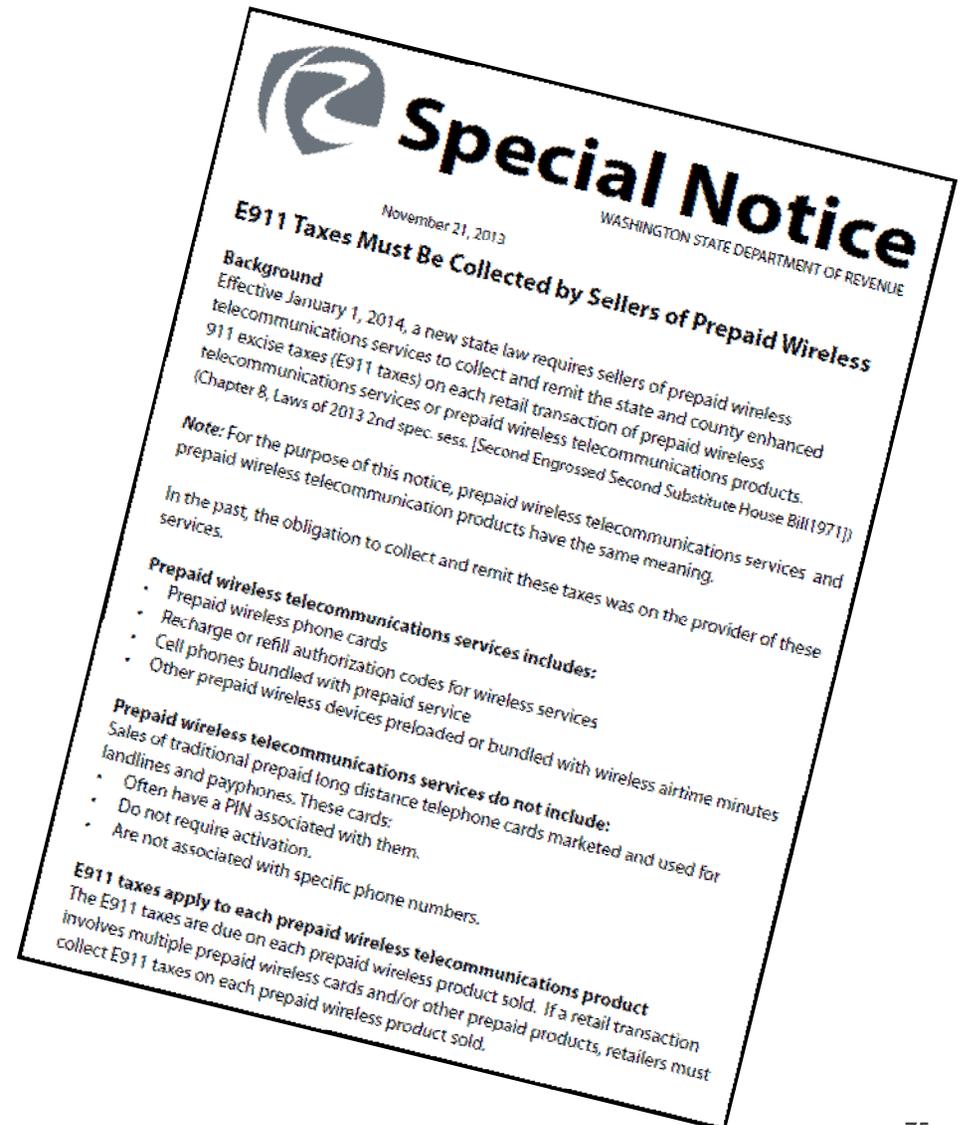
How is DOR Administering the E911 Change?

- Separate line code for tracking prepaid wireless revenues
 - E911 Wireless code 794
 - E911 Prepaid Wireless code 796
- Monitoring accounts that have reported E911 Prepaid Wireless

E911 Wireline Tax	E911 Wireless Tax	E911 VOIP Tax	E911 Prepaid Wireless Tax		
<input checked="" type="checkbox"/> Check the box if you do not have E911 Prepaid Wireless Tax for this period.					
<input type="button" value="Add/Remove"/>					
E911 Prepaid Wireless Tax					
Code	Location Name	Date	No. of Retail Transactions	Rate	Tax Due

Education Efforts

- Special Notice
- Targeted communication through Secure Messaging
- Website for E911 information:
dor.wa.gov/E911



Contact

Andy Van Gerpen

Local Sales Tax Manager

(360) 902-7172

andyv@dor.wa.gov

Questions?



New Local Sales Tax Portal

Larry Schmitt
Program Coordinator

Taxes Included

- Local Sales and Use
- Transportation
- Lodging
- E-911
- Natural Gas



Jurisdiction Summary Page

- My account home**
- ▼ Reports and research
 - Distribution summary
 - Distribution details
 - Distribution by NAICS
 - Single account history
 - Highest reporting businesses
 - Tax rate information - City
 - Tax rate information - County
 - Manage account
 - E-mail & notices
 - My logon profile

Local Jurisdiction

Jurisdiction: Jurisdiction 1

Treasury Code: #####

ATTN: Someone
 123 Somewhere Ln
 City, WA 98999-1234

April 2014 Distribution

Tax Type	Amount
Regular	\$2,000.00
Optional	\$4,000.00
Transportation	\$1,000.00
Total	\$7,000.00

List of Accounts

Washington State

My account

My account home

- > File a return
- > Manage account
- > More services
- > E-mail & notices
- > My logon profile

List of Accounts

Select an account below to continue, or [add an account](#).

Local Jurisdictions

Account Name	Number	Status	
Jurisdiction 1	####	Access Approved	
Jurisdiction 2	####	Pending Access Approval	Upload Affidavit
Jurisdiction 3	####	Access Approved	

Need Assistance? 1-877-345-3353

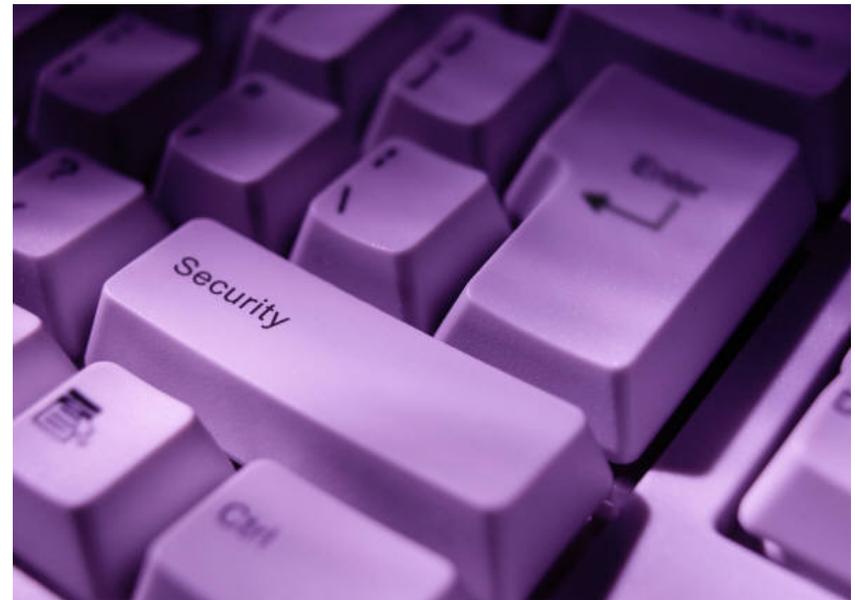
Security Levels

Administrator

- View summary and detail reports for all taxes
- Add/Edit Users for the jurisdiction

Viewer

- View summary and detail reports
- Limited to tax type specified by Administrator



Add/Edit User

- My account home
- Reports and research
- ▼ **Manage account**
- Add an account
- Add/edit user permissions
- View activity log
- E-mail & notices
- My logon profile

Account Users

Add User

If the user already has a Logon ID for My Account, enter the Logon ID and e-mail address here:

Logon ID:

E-mail Address:

If the user has never used My Account and does not have a Logon ID, [Click Here](#)

Account Users

Logon ID	Name	Permissions	
TestAccount 1	Larry Schmitt	My Account: Administrator Tax Distribution: View Local Sales/Use Taxes, View Lodging Taxes, View E911 Taxes, View BNG Taxes,	Edit Remove

Add/Edit User

My account home	<h2>Edit User permissions</h2> <p>Logon ID: testalot Name: Test Test</p> <p>My Account: <input checked="" type="radio"/> Access <input type="radio"/> Administrator</p> <p>Tax Distribution: <input type="checkbox"/> View Local Sales/Use Taxes <input type="checkbox"/> View Lodging Taxes <input type="checkbox"/> View E911 Taxes <input type="checkbox"/> View BNG Taxes</p> <p><input type="button" value="Save"/> <input type="button" value="Cancel"/></p>
➤ Reports and research	
▼ Manage account	
Add an account	
Add/edit user permissions	
View activity log	
➤ E-mail & notices	
➤ My logon profile	

CSV File - Current Layout

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	1	LOC CODE	CITY/CNTY	ADMIN R	FUND RA	POOLFUND	FEE REG \$	FEE OPT \$	REG TAX	OPT TAX	SHR REG	SHR OPT	OVRPAY	LOC BAL	DISTR AMT	PERIOD/YR
2	2	000	B	1000	2	473	2903	0	290294	174168	43108	172426	0	246498	244756	92012
3	3	REGIST #	DATE OPEN	DATE CLC	LOCATOR	ASSIGN CD	SIC	PHONE #	NAIC CO	ACCT STA	ACCT TYP	ACCT FRE	TYPE OW	EXTENSIC	OWNER NAME	DO BIS AS
4	4	605601601	0	0	21	201	0	5.091E+09	611110	A	C	Q	M	0	Taxpayer 1	
5	4	605602602	0	0	21	9999	0	5.092E+09	921190	A	B	Q	M	0	Taxpayer 2	
6	4	605603603	4221968	0	328	9999	0	3.603E+09	237130	A	C	M	C	0	Taxpayer 3	
7	4	605604604	0	0	406	9999	0	3.606E+09	313310	A	C	M	C	0	Taxpayer 4	
8	4	605605605	1011946	0	178	9999	0	2.066E+09	448140	A	J	M	C	0	Taxpayer 5	
9	5	RPT LOC CD	REGIST #	TRANS C	RET PERI	LINE CD 45	TAXABLE	TAX PD 45	LINE CD 5	TAXABLE	TAX PD 5	LINE CD 4	TAXABLE	TAX PD 4	LINE CD 52	TAXABLE 52
10	6	000	605601601	ELF	Q32012	45			51			46	969142	4846	52	969142
11	6	000	605602602	ELF	Q32012	45			51			46	584021	2920	52	584021
12	6	000	605603603	ELF	92012	45	3524320	17622	51	3524320	10573	46			52	
13	6	000	605604604	ELF	92012	45	16295	81	51	16295	49	46			52	
14	6	000	605605605	ELF	92012	45	400	2	51	400	1	46			52	
15	6	000	605605605	CTA	Q32012	45	34999	175	51	34999	105	46	-34999	-175	52	-34999

CSV File - New Layout

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	REGIST #	TRANS CODE	RET PERIOD	LINE CD	TAXABLE	TAX PD	DATE OPEN	DATE CLOSE	PHONE #	NAIC CODE	ACCT STAT	ACCT TYPE	ACCT FREQ	TYPE OWNER	EXTENSI ON	OWNER NAME	ADDRESS 1
2	605601601	ELF	Q32012	46	969142	4846	0	0	5091112222	611110	A	C	Q	M	0	Taxpayer 1	PO BOX 489
3	605601601	ELF	Q32012	52	969142	2907	0	0	5091112222	611110	A	C	Q	M	0	Taxpayer 1	PO BOX 489
4	605602602	ELF	Q32012	46	584021	2920	0	0	5092223333	921190	A	B	Q	M	0	Taxpayer 2	PO BOX 129
5	605602602	ELF	Q32012	52	584021	1752	0	0	5092223333	921190	A	B	Q	M	0	Taxpayer 2	PO BOX 129
6	605603603	ELF	92012	45	3524320	17622	4221968	0	3603334444	237130	A	C	M	C	0	Taxpayer 3	PO BOX 638
7	605603603	ELF	92012	51	3524320	10573	4221968	0	3603334444	237130	A	C	M	C	0	Taxpayer 3	PO BOX 638
8	605604604	CTA	Q32012	45	34999	175	8012012	0	3605551212	424920	A	C	M	C	0	Taxpayer 4	1911 CAPITAL CIR NE
9	605604604	CTA	Q32012	51	34999	105	8012012	0	3605551212	424920	A	C	M	C	0	Taxpayer 4	1911 CAPITAL CIR NE
10	605604604	CTA	Q32012	46	-34999	-175	8012012	0	3605551212	424920	A	C	M	C	0	Taxpayer 4	1911 CAPITAL CIR NE
11	605604604	CTA	Q32012	52	-34999	-105	8012012	0	3605551212	424920	A	C	M	C	0	Taxpayer 4	1911 CAPITAL CIR NE
12	605604604	REG	Q32012	46	34999	105	8012012	0	3605551212	424920	A	C	M	C	0	Taxpayer 4	1911 CAPITAL CIR NE
13	605604604	REG	Q32012	52	34999	105	8012012	0	3605551212	424920	A	C	M	C	0	Taxpayer 4	1911 CAPITAL CIR NE
14	605605605	ELF	Q32012	45	27847	139	0	0	2065551313	611110	A	C	Q	M	0	Taxpayer 5	PO BOX 489
15	605605605	ELF	Q32012	51	27847	84	0	0	2065551313	611110	A	C	Q	M	0	Taxpayer 5	PO BOX 489

Pivot Table

	A	B
1	Row Labels	Sum of TAX PD
2	605601601	7753
3	46	4846
4	52	2907
5	605602602	4672
6	46	2920
7	52	1752
8	605603603	28195
9	45	17622
10	51	10573
11	605604604	210
12	45	175
13	46	-70
14	51	105
15	52	0
16	605605605	223
17	45	139
18	51	84
19	Grand Total	41053

Portal Testing

Internal testing

- August/September 2014
 - ✓ Accumulation and distribution system
 - ✓ Portal

Usability testing

- Local jurisdictions to assist in usability testing
- September/October 2014

Interested in Helping?

Contact

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Questions?



Use tax reporting

John Wack
Tax Information Specialist

What is Use Tax?

- Complementary tax to sales tax
- Same rate as sales tax
- Due on value of goods and services used in Washington and acquired without payment of sales tax
- Taxable on value of goods or services used
- Buyer pays directly to DOR

Use Tax vs. Retail Sales Tax

- Retail sales tax is paid at time of purchase
- Use tax is due upon first use

When Use Tax Arises

- Purchases from another state:
 - Mail order
 - Internet
 - Telephone
- Purchases from a person not authorized to collect sales tax
- Charges for repairing goods (parts & labor) performed outside the state and brought back into WA
- Tangible personal property acquired with purchase of real property

Use Tax – Common Examples

- Magazine subscriptions
- Office supplies and equipment
- Computer hardware and systems
- Computer software (downloaded or accessed)
- Furniture and fixtures

Use Tax Commonly Missed

- Printed materials (use of out-of-state printer)
- Manufacturing for government entity's own use
- Downloaded software and applications
- Software maintenance agreements that include updates or upgrades
- Digital products
 - Remotely accessed software and applications
 - Online subscriptions
 - Online books and magazines
 - Online videos and classes

Digital Products

- Digital Goods
 - Sounds
 - Images
 - Data
 - Facts or information that are transferred electronically
- Remote Access Software
 - software that is accessed remotely
- Digital Automated Services
 - Services transferred electronically that use one or more software applications

Exemptions, Credits & Exclusions

- Trade-ins
- Credit for sales or use tax paid in another state
- Donations to government entity
- Newspapers
- Digital products obtained free of charge
- Digital products purchased to be provided to the general public free of charge (for libraries, the general public is library patrons)

Exemption Certificate



[Reset This Form](#)



Digital Products and Remote Access Software Exemption Certificate

This certificate allows the buyer to make tax exempt purchases using the exemptions checked below. This certificate cannot be used for purchases for personal use.

Exemptions claimed

Check all that apply (*see page 2 for exemption descriptions*):

- Purchased to be made available free of charge to the general public. (*Only available for digital goods, digital automated services, digital codes, or remote access software*).
- Digital goods purchased solely for a business purpose. (*Only available for digital goods. Please see page 2 for more information*).
- Purchased for concurrent use by the buyer in and out of Washington State. Buyer must report use tax for in-state use. (*Only available for digital goods, digital automated services, digital codes, remote access software, or prewritten software*)

Purchases for resale or Purchases of Components

- Purchased digital goods, digital automated services, digital codes, prewritten software or remote access software to be resold in the regular course of business without intervening use. For purchases made after December 31, 2009, you must enter your reseller permit number:
- Purchased for use as a component of a new product for sale. (*Only available for digital goods, digital automated services, digital codes, or remote access software*). For purchases made after December 31, 2009, you must enter your reseller permit number:

Group Activity

Scenario I: Purchases of Goods

Your organization has purchased the following items during the last month.

Which of these purchases are subject to use tax?

- Inspirational posters
- Time magazine subscription
- New York Times subscription
- Printer
- Chair

Scenario I: Answers

Your organization has purchased the following items during the last month.

Which of these purchases are subject to use tax?

- Inspirational posters
- Time magazine subscription
- New York Times subscription
- Printer
- Chair

- **Newspapers are exempt from sales and use tax**

Scenario 2: Purchases of Services

Your organization has purchased the following services during the last month.

Which of these services are subject to use tax?

- Arborist prunes trees
- Carpets steam cleaned in office
- Graffiti sandblasted off building
- Calibration of HVAC system
- Equipment repaired in Oregon

Scenario 2: Answers

Your organization has purchased the following services during the last month.

Which of these services are subject to use tax?

- Arborist prunes trees
- Carpets steam cleaned in office
- Graffiti sandblasted off building
- Calibration of HVAC system
- Equipment repaired in Oregon

- **Cleaning carpets in place is a janitorial service (not a retail service).**
- **Mere calibration (adjustments) of equipment without altering or repairing is not a retail sale.**

Scenario 3: Printed Materials

Your organization has purchased printing services during the last month.

Which of these services are subject to use tax?

- An out-of-state printer prints tri-fold brochures on recycling to be distributed to citizens located in your county.
- A tourism brochure is printed by an out-of-state printer and delivered to tourist attractions in Idaho and Oregon to attract tourism.
- Instructions are printed by a local printer for installation of low-flow shower heads sold by your organization at below cost to citizens located within your boundaries.

Scenario 3: Answers

Your organization has purchased printing services during the last month.

Which of these services are subject to use tax?

- An out-of-state printer prints tri-fold brochures on recycling to be distributed to citizens located in your county.
- A tourism brochure is printed by an out-of-state printer and delivered to tourist attractions in Idaho and Oregon to promote tourism.
- Instructions are printed by a local printer for installation of low-flow shower heads sold by your organization at below cost to citizens located within your boundaries.
 - The instructions are sold along with the shower heads so use tax does not apply.

Scenario 4: Downloads & Remote Access Software

Your organization has purchased the following items from the Internet during the last month.

Which of these purchases are subject to use tax?

- Downloaded project management software
- Downloaded a free version of Adobe Reader
- Purchased a license to access online accounting software
- Accessed a free online financial program

Scenario 4: Answers

Your organization has purchased the following items from the Internet during the last month.

Which of these purchases are subject to use tax?

- Downloaded project management software
- Downloaded a free version of Adobe Reader
- Purchased a license to access online accounting software
- Accessed a free online financial program

- **Free versions of software downloaded or accessed are not subject to use tax.**

Scenario 5: Real Property Acquisitions

Your organization has acquired real property during the last month. Retail sales tax was not paid on tangible personal property that was included in the sale.

Which of these items are subject to use tax?

- Office desks and chairs
- Office cubicles
- Built-in kitchen appliances
- Air conditioning units installed in windows
- Outdoor pond
- Printers and fax machines

Scenario 5: Real Property Acquisitions

Your organization has acquired real property during the last month. Retail sales tax was not paid on tangible personal property that was included in the sale.

Which of these items are subject to use tax?

- Office desks and chairs
- Office cubicles
- Built-in kitchen appliances
- Air conditioning units installed in windows
- Outdoor pond
- Printers and fax machines

- These items are considered part of the real property sold when the intent is keep them affixed to the real property.

Scenario 6: Online Subscriptions

Your organization has purchased the following online subscriptions during the last month.

Which of these purchases are subject to use tax?

- Security monitoring service
- Cloud backup storage
- Online legal database search
- GPS tracking of agency vehicles
- Web hosting of agency website

Scenario 6: Answers

Your organization has purchased the following online subscriptions during the last month.

Which of these purchases are subject to use tax?

- Security monitoring service
- Cloud backup storage
- Online legal database search
- GPS tracking of agency vehicles
- Web hosting of agency website

- **Storage and hosting services are specifically excluded from digital automated services.**

Scenario 7: Online Classes

Your organization has purchased the following online classes or presentations during the last month.

Which of these purchases are subject to use tax?

- An Excel class provided by the local community college
- An online safety video
- An online interactive presentation regarding public health
- An online writing skills class provided by a business
- An online seminar on leadership (not interactive)

Scenario 7: Answers

Your organization has purchased the following online classes or presentations during the last month.

Which of these purchases are subject to use tax?

- An Excel class provided by the local community college
- An online safety video
- An online interactive presentation regarding public health
- An online writing skills class provided by a business
- An online seminar on leadership (not interactive)

- **Classes put on by higher education institutions and interactive classes are not subject to sales or use tax.**

Questions?



2014 Property tax legislation

Pete Levine
Personal Property Supervisor

ESHB 1287

Expands the tribal property tax exemption under RCW 84.36.010 to include property used for economic development purposes if the property was owned by the tribe before March 1, 2014

- Imposes a leasehold excise tax (LET) obligation on leasehold interests of tribal property exempt from property taxes under RCW 84.36.010, similar manner as users of other public property are assessed
- Imposes a payment in lieu of leasehold excise tax (PILT) obligation with respect to tribal property exempt from property taxes under RCW 84.36.010 if there is no taxable leasehold interest in such property for LET purposes, and the tax-exempt property is:
 - Used exclusively for economic development;
 - Located outside of the tribe's reservation; and
 - Not otherwise exempt from property taxation by federal law

(cont'd)

ESHB 1287 (cont'd)

- Provides PILT amount be determined jointly in a good faith negotiation between the tribal owner and the county in which the property is located
- The PILT amount may not be more than LET if the property were subject to LET
- Requires the Department to determine the PILT amount if the tribe and county cannot agree
- Requires counties to distribute PILT payments to local taxing districts, including cities, in the same proportion as the LET – had LET applied with respect to the property
- Allows fire protection districts and regional fire protection service authorities to contract with tribes for fire protection if the tribe owns property exempt from property taxes under RCW 84.36.010 within the boundaries of the district or authority
- Requires the Joint Legislative Audit and Review Committee provide an economic impact report to the Legislature by December 1, 2020

SHB 1634

Allows the assessed value of solar, biomass, and geothermal facilities that generate electricity and operate entirely within a single county to be treated like new construction for purposes of calculating levies

- An additional dollar amount to be added to the levy by multiplying the regular property tax levy rate of the district from the preceding year by the increase in assessed value in the district resulting from the construction of solar, biomass, and geothermal facilities that generate electricity

SHB 2309

Provides a reduction of penalties and interest on delinquent property taxes and allows new flexibility for county treasurers in the collection of those taxes

- Penalties and interest apply only to the delinquent tax (unpaid balance)
- County treasurers may accept partial payments of delinquent property taxes including penalties and interest through electronic means
- County treasurers are given the authority to waive interest and penalties on property taxes when a taxpayer pays an erroneous amount, but then corrects the payment within 30 days of receiving notice of the error

HB 2446

Relieves property owners of the requirement to file a claim for refund when the refund is the result of a Board of Equalization, State Board of Tax Appeals, or Court decision, or decisions made by the county treasurer or assessor within 3 years of the tax due date

- The refund can also be made without a claim when the county assessor or Department of Revenue approves a property tax exemption authorized under chapter 84.36 RCW within 3 years of the tax due date

E2SHB 2493

For “farm and agricultural land” assessed at its “current use” rather than its highest and best use (or market value), the bill allows land primarily used for commercial horticultural purposes, including growing plants in containers, to qualify for the farm and agricultural land classification

- Does not include land primarily used for the storage, care, or selling of plants purchased from other growers for retail sale
- Land less than 5 acres used primarily to grow plants in containers does not qualify as “farm and agricultural land” if more than 25% of the land used primarily to grow plants in containers is open to the general public for on-site retail sales

(cont'd)

E2SHB 2493 (cont'd)

- If more than 20% of the land used for growing plants in containers is covered by pavement, none of the paved area is eligible for classification as “farm and agricultural land” but may still qualify as “incidental use”
- If the total contiguous land being classified as farm and agricultural land is less than 20 acres, it must meet existing income or investment requirements for “farm and agricultural land” under 20 acres

SB 6180

Affects the “current use” and “designated forest land” (DFL) property tax programs, which provide eligible land with a reduced valuation rather than valuation based on the land’s highest and best use (or market value)

- Allows a county legislative authority to merge its “timber land” classification into DFL and terminate the “timber land” classification
 - Land classified as timber land before the merger is considered DFL as of the date the land was initially classified as timber land
 - Counties must notify landowners and the Department of the merger
 - The Department must keep a list on its internet site of counties that have merged its timber land classification with its DFL program
 - Owner of classified timber land classification in a county merging the two programs who has submitted a 2-yr notice of withdrawal request has specific options regarding withdrawal or removal from the programs

2SSB 6330

The bill expands the multifamily housing property tax exemption program (under RCW 84.14), now made available to eligible properties in a residential targeted area (RTA) if the following conditions are met:

- The RTA is located in the unincorporated area of a county, within an urban growth area designated by the county before January 1, 2013
- The county must have a population between 50,000 and 71,000 and border Puget Sound (such counties are defined in the bill as a “rural county”)
- The RTA must be served by a sewer system
- An application may not be approved after January 1, 2020

ESB 6405

Amends chapter 84.36. RCW, to establish standardized criteria for allowable nonexempt uses of tax-exempt property owned by churches and certain other nonprofit organizations

- Allows the rental or use of exempt property for non-exempt purposes for up to 50 days per calendar year if no more than 15 of those 50 days are used for pecuniary gain or business activities
- Does not impact the ability of churches and other nonprofit organizations to continue to host occasional, short-in-duration fundraising activities, outside of these new criteria, as long as the host receives 51% of the net proceeds from the business activities involved
- Fund-raising events that do not meet the 51% requirement may be hosted by the exempt nonprofit but are subject to the new 15-day limit on the use of exempt property for pecuniary gain or business activities

Misc Bills Passing in 2014

- 2ESHB 1117 – Transfers of real property by deed taking effect at the grantor's death
- HB 2547 – Relating to the creation of a less than countywide port district within a county containing no port districts
- ESB 6031 – Lake and beach management districts
- SB 6216 – Relating to the establishment of county ferry districts
- SSB 6333 – Concerning tax statute clarifications, simplifications, and technical corrections
- SB 6505 – Relating to clarifying that marijuana, useable marijuana, and marijuana infused products are not agricultural products

Questions?



Tribal Tax Update

Shana Barehand, Tribal Liaison



Federal Indian Law Governs State/Tribal Tax

- Body of law based on
 - federal legislation, regulations, policies
 - court cases, and
 - treaties.
- Defines the legal and political relationship between federal, state, and local government and tribes and their citizens
 - federal power over tribes and Indians
 - what tribal power will be recognized by feds
- Not tribal law
 - The laws made by tribes

Introduction

- Basic tax principles
- State/Tribal taxation governed by Indian Law
- Current events

Tax Basics - Tax Terms

- TPP - tangible personal property
- Exempt – tax is not due
- Incidence of the Tax – who is legally responsible for paying the tax, this is different from who might be collecting it. Legal v. Economic
- Federal Preemption – Federal law prevents the state from taxing
- Indian – enrolled tribal member/citizen of federally recognized tribe and his or her spouse
- Indian Country – land within the reservation and external trust land

Four Main Types of Taxes

1. Income – Not in Washington
2. Property – #1 source of funds for Counties-
 - real property, improvements, personal property
3. Business and Occupation – Gross receipts
4. Sales/Use Taxes – Based on purchase price
 - Washington has 60 types of taxes, for example
 - ✓ hazardous waste
 - ✓ Spirits
 - ✓ Forest
 - ✓ syrup

State/Tribal Tax Basics

- Generally, state cannot impose its tax on a tribe or tribal citizen in their own Indian country
- Generally, state cannot not impose a tax on a non Indian performing services for Indians in their Indian country
- State does not tax treaty fishing or related activities
- Generally, state can tax a non Indian in Indian country, but there are a few exceptions

Other Taxes

If the incidence is on the Indian in their Indian country, the tax is preempted by federal law.

- Telecom/utility/refuse taxes
 - Purchaser pays
- Cigarette taxes
 - Purchaser pays
- Real Estate Excise taxes
 - Seller pays

Property Taxes

- 30% of state revenue
- #1 source of revenue for counties
- County assessors value and assess:
 - Real estate
 - Improvements to real estate
- Businesses value:
 - Personal property
- Department assesses utilities, vessels, forest assets

Type of Property	Tribal Ownership		Indian Ownership		Non Indian Ownership	
	Fee land	Trust land	Fee land	Trust land	Fee land	Trust land
Real Property	Exempt if Essential Governmental services ESHB 1287	Exempt	Taxable	Exempt	Taxable	N/A
Improvements	Exempt if Essential Governmental services ESHB 1287	Exempt	Taxable	Exempt	Taxable	Exempt
Personal property	Exempt if Essential Governmental services ESHB 1287 or If within reservation	Exempt	Not taxable if within reservation	Exempt	Taxable	?
Leasehold	Taxable or subject to payment in lieu of leasehold excise tax (PILT)	Exempt	Taxable	Exempt	Taxable	Exempt via state law if 90% fair market value (FMV)

Engrossed Substitute House Bill 1287

- Passed 2014 Legislature
- Effective June 12, 2014 ends Jan 2022
- Expands tribal property tax exemption under RCW 84.36.010 to include property used for economic development purposes
- Tribal fee property owned before March 1, 2014
- Applications due Oct 1 annually
- JLARC study economic impact of exemption

Property owned in fee by a Federally Recognized Indian Tribe

	Inside Reservation	Outside Reservation
<p>Non-Economic Development Property Property used by the Tribe to provide an essential government service other than economic development.</p>	Eligible for a property tax exemption	Eligible for a property tax exemption
<p>Economic Development Property Property owned by the Tribe on or before March 31, 2014 and <u>used by the Tribe</u> for economic development</p>	Eligible property tax exemption	Eligible for a property tax exemption <i>* PILI agreement is a requirement for exemption</i>
<p>Economic Development Property Property owned by the Tribe on or before March 31, 2014 and <u>used by a non-tribal tenant</u> for economic development</p>	Eligible for a property tax exemption <i>* Tenant is subject to LET</i>	Eligible for a property tax exemption <i>* PILT agreement is a requirement for exemption</i>
<p>Economic Development Property Property acquired by the Tribe after March 31, 2014</p>	Not Eligible for a property tax exemption	Not Eligible for a property tax exemption

Recent Events

Chehalis v. Thurston County

- Thurston county imposed property tax on the Great Wolf Lodge
 - 51% tribally owned entity located in Indian country
- Trial court applied the **Bracker** Balancing Test and ruled for the County
- July 30, 2013 Ninth Circuit Court of Appeals reversed trial court
- September 23, 2013 appeals court denied counties request for en banc review

Chehalis case

In it's holding, the court relied on:

- 25 U.S.C. § 465, which provides that “[t]itle to any lands or rights acquired pursuant to [the acts creating the statute] shall be taken in the name of the United States in trust for the Indian tribe or individual Indian for which the land is acquired, and such lands or rights shall be exempt from State and local taxation”;
- *United States v. Rickert*, 188 U.S. 432 (1903), in which the court held that state and local governments had no power to tax permanent improvements to tribal trust lands; and
- *Mescalero Apache Tribe v. Jones*, 411 U.S. 145 (1973), in which the court held that a use tax for construction materials permanently attached to land owned by the United States for the benefit of an Indian tribe was preempted as “a tax upon the property itself.”

(cont'd)

Chehalis case (cont'd)

The court further determined that:

- *Bracker* does not apply
- New BIA leasing regulation merely “clarifies and confirms what [25 U.S.C. § 465] already conveys,” so the court did not need to reach the applicability of the regulation or “the level of deference owed to the Bureau of Indian Affairs.”
- Tribe’s tax immunity “cannot be made to turn on the particular form in which the Tribe chooses to conduct its business.”

Implementation of the Decision

- Determine what action to take
- Issue Property Tax Advisory
 - March 31, 2014

Current Issues

- Non Indian activities on trust land subject to Bracker Balancing Test
- Department of the Interior (DOI) Bureau of Indian Affairs (BIA) Leasing Regulations

BIA Leasing Regulations 25 CFR 162

- Recently adopted regulations of Department of the Interior (DOI) Bureau of Indian Affairs (BIA) purport to clarify that state and local taxation is preempted on residential, business, and wind and solar resource leases of trust land.
- Specifically, the rule states that state and local tax is pre-empted as to:
 - permanent improvements without regard to ownership;
 - activities under a lease conducted on the leased premises; and
 - the leasehold of possessory interest.

(cont'd)

BIA Leasing Regulations (cont'd)

- Land held in trust by the United States for the benefit of tribes or tribal members leased under the supervision of the BIA.
- Includes only the following categories of leased land:
 - residential leases;
 - business leases;
 - Wind Energy Evaluation Leases (WEELs); and
 - Wind and Solar Resource (WSR) leases.

(cont'd)

BIA Leasing Regulations (cont'd)

- Published 12/5/12 in Federal Register Vol 77 number 234,
- Effective 1/4/13
- <http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&pageid=331973>
- <http://www.bia.gov/WhoWeAre/BIA/OTS/RealEstate/index.htm>

Existing Ambiguities

- What Activities are exempt?
- All non Indian transaction?
- What taxes are potentially affected
 - Property taxes - permanent improvements, personal property
 - Leasehold taxes (not in WA if lease is 90% of FMV; RCW 82.29A.130(7))
 - Excise taxes (sales, use, Business and Occupation, Gross receipts, cigarette taxes, litter, spirits)
 - Utility taxes, hazardous waste, fuel
 - Not income taxes (WA doesn't have)

Current Activities

- Implementing 1287, exemption for tribally owned fee land used for economic development
- Forming Tribal Tax Advisory Council
- Consultation Policy

Contact

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Questions?



Miscellaneous Updates & Closing

Patti Wilson
Local Government Liaison

Evaluations will be sent via email, please provide feedback

Telecommunications Refund

(presentation contains confidential tax information)

Rob Rice
Program Manager