

BUSINESS TAXES

B&O TAX EXEMPTIONS - PUBLIC ACTIVITIES

82.04.311 TOBACCO SETTLEMENT AUTHORITY

Description: Exemption from state B&O tax is provided for the Tobacco Settlement Authority. The Authority purchases certain rights under the Master Settlement Agreement and issues revenue bonds to pay outstanding obligations of the state in order to make funds available for health and other programs.

Purpose: To recognize that the Authority is a public instrumentality of the state and is not engaged in conducting an enterprise activity.

Category/Year Enacted: Government. 2002

Primary Beneficiaries: The Authority and indirectly the citizens of the state.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Although the only affected entity is a quasi-governmental agency, the impact of the exemption cannot be disclosed, since there is only one potential taxpayer.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.04.395 PRINTING BY SCHOOLS

Description: School districts and educational service districts are exempt from B&O tax on the value of materials printed in-house, if the materials are exclusively for district use.

Purpose: To support education. There are similar exemptions for printing by local governments and libraries.

Category/Year Enacted: Government. 1979

Primary Beneficiaries: School districts and Educational Service Districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 52	\$ 54	\$ 55	\$ 57
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.04.397 PRINTING BY LOCAL GOVERNMENT

Description: The value of materials printed in-house by cities and counties exclusively for their own use is exempt from B&O tax.

Purpose: To reduce the cost for local government.

Category/Year Enacted: Government. 1979

Primary Beneficiaries: Counties, cities and towns.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 12	\$ 12	\$ 13	\$ 13
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.04.408 HOUSING FINANCE COMMISSION

Description: Income that may accrue to the Housing Finance Commission is exempt from B&O tax. This income includes fees generated from bond issues and interest received from reserves used for the operation of the Commission.

Purpose: To support the activities of the Commission as a financial conduit for programs that provide affordable housing.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: The Housing Finance Commission.

Possible Program Inconsistency: None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption.

Taxpayer Savings (\$000) Although the only affected entity is a governmental agency, the impact of this exemption cannot be publicly stated since there is only one entity affected by the statute.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.04.415 SAND AND GRAVEL FOR LOCAL ROADS

Description: The cost of labor and services performed in the mining, sorting, crushing, etc. of sand or gravel taken from a pit owned by or leased to a city or county is exempt from B&O tax. The sand or gravel must be either placed on a street of the city or county or sold at cost to another city or county for use on public roads.

Purpose: To reduce the costs to local governments of building and maintaining streets and roads.

Category/Year Enacted: Government. 1965.

Primary Beneficiaries: Cities and counties and the contractors who perform road work for them.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 153	\$ 157	\$ 166	\$ 176
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.04.418 GRANTS FOR LOCAL GOVERNMENT

Description: A deduction from B&O tax is provided for governmental grants received by municipal corporations and political subdivisions of the state.

Purpose: To avoid taxing the non-enterprise activities of local governments and to support the social welfare services that the grants assist.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: Local jurisdictions that carry out social welfare programs.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Amounts included under B&O tax deduction, RCW 82.04.4297.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.04.419 LOCAL GOVERNMENT BUSINESS INCOME

Description: Exemption from B&O tax is provided for local governments, including school and fire districts, with the exception of income from utility or enterprise activities.

Purpose: To reflect the legislative policy of not taxing government activities, except for proprietary activities such as the provision of utility services.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: Local governments.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 10,235	\$ 10,800	\$ 11,404	\$ 12,052
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.04.4201 SALE/LEASEBACKS FOR R.T.A.

Description: State B&O tax does not apply to lease payments or options to purchase at the conclusion of a lease in conjunction with a sale/leaseback arrangement involving a regional transportation authority (RTA) pursuant to RCW 81.112.300.

Purpose: The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and investors involved in a sale/leaseback arrangement.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) This financing mechanism was utilized to acquire a limited amount of personal property by Sound Transit. However, the Internal Revenue Service has changed its policy and no longer allows an investor to write-off depreciation for federal taxes for such transactions. Thus, this mechanism is not currently being utilized. Income from any previous sale/leasebacks is believed to accrue to an out-of-state investor and would not be subject to Washington B&O tax. In any case, there is an insufficient number of investors involved in these transactions, so the tax on the lease payments cannot be disclosed for confidentiality reasons.

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82.04.4263 LIFE SCIENCES DISCOVERY FUND

Description: Income received by the Life Sciences Discovery Fund is exempt from B&O tax.

Purpose: To stimulate research and development in the life sciences.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: The Life Sciences Discovery Fund.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Although the only affected entity is a quasi-governmental agency, the impact of this exemption cannot be publicly stated since there is only one entity affected by the statute.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.04.600 PRINTING BY LIBRARIES

Description: Printing done by libraries is exempt from B&O tax, if the material is printed in library facilities and is used exclusively for library purposes. This statute also includes cities, counties and school districts, but these are covered by other statutes, RCWs 82.04.395 and .397.

Purpose: Reflects the legislative policy of not taxing nonproprietary activities of public entities.

Category/Year Enacted: Government. 1979

Primary Beneficiaries: Libraries and library districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 4	\$ 4	\$ 4	\$ 4
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.04.615 PUBLIC DEVELOPMENT AUTHORITIES

Description: Public corporations, commissions and authorities are exempt from state B&O tax for amounts derived from providing services to: (1) limited liability companies in which the public entity is the managing member; (2) limited partnerships in which the public entity is the general partner; or (3) single-asset entities required by a federal, state or local housing assistance program which are directly or indirectly controlled by the public entity.

Purpose: To minimize the tax burden for housing authorities that receive federal grants for low-income housing.

Category/Year Enacted: Government. 2007

Primary Beneficiaries: Housing authorities that receive federal grants for low-income housing.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 15	\$ 19	\$ 19	\$ 20
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.