

## SALES TAXES

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### BROKERED NATURAL GAS USE TAX

#### **82.12.022(3) NATURAL GAS NOT DELIVERED BY PIPELINE**

Description: Brokered natural gas does not apply to the use of natural or manufactured gas that is delivered to customers by other means than through a pipeline.

Purpose: This statute was enacted to clarify the application of this tax.

Category/Year Enacted: Tax base. 1994

Primary Beneficiaries: Customers that receive natural gas via other means.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Gas delivered by other means is subject to other excise taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

#### **82.12.022(4) NATURAL GAS SUBJECT TO PUBLIC UTILITY TAX**

Description: Brokered natural gas tax does not apply to gas upon which public utility tax was paid.

Purpose: Eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, which is the reason that the brokered natural gas tax was originally adopted.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Purchasers of gas via brokers.

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	\$ 68,000	\$ 70,720	\$ 73,549	\$ 76,491
Local taxes – not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.12.022(5) NATURAL GAS FOR ALUMINUM SMELTERS**

Description: Brokered natural gas tax does not apply to natural or manufactured gas purchased by an aluminum smelter. This exemption is scheduled to expire on January 1, 2012.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: Aluminum smelters.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) This exemption is utilized by fewer than three firms, and therefore the impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

### **82.12.022(6) NATURAL GAS SUBJECT TO OTHER STATES' TAXES**

Description: A credit against the brokered natural gas tax is allowed for any similar tax applied to the same gas by another state.

Purpose: To eliminate double taxation of the same fuel.

Category/Year Enacted: Commerce. 1989

Primary Beneficiaries: Purchasers of gas via brokers who have the gas delivered from other states.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) This credit has never been utilized.

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

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### **82.12.024      DEFERRAL FOR DIRECT SERVICE INDUSTRIES**

Description: This statute allows a deferral of brokered natural gas tax for a direct service industry (DSI) firm that constructs a new power plant. DSIs are firms that purchase power directly from the Bonneville Power Administration. The amount of deferred brokered natural gas use tax need not be repaid, if the firm continues production and their employment does not drop below base period levels.

Purpose: To encourage DSI firms to continue manufacturing in Washington after existing power contracts with BPA expire by building their own natural gas powered electric generating facilities.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: None to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      No firm has yet to apply for the deferral.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although it may be difficult to rescind deferred taxes once a firm has committed to the construction.

## **CIGARETTE AND TOBACCO TAX**

### **82.24.260(1c)    CIGARETTE ALLOTMENT FOR INDIAN TRIBES**

Description: Certain quantities of untaxed cigarettes are allowed tax-free for consumption by tribal members on the reservations in Washington. The number of untaxed cigarettes is based on the number of enrolled tribal members living on the reservation and the national average per capita consumption rate. Note: the application of cigarette allotments has largely been replaced by contracts between the state and most Indian tribes regarding the regulation and taxation of cigarettes sold in Indian country.

Purpose: The U.S. Supreme Court has ruled that states do not have the authority to impose a cigarette tax upon enrolled tribal members living upon their own reservations.

Category/Year Enacted: Government. 1975

Primary Beneficiaries: Enrolled members of Indian tribes living on reservations in Washington.

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	\$ 13,302	\$ 13,435	\$ 13,569	\$ 13,705
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.24.290      CIGARETTES FOR MILITARY PERSONNEL** **82.24.260(1b)**

Description: The cigarette tax does not apply to cigarettes sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose: Federal legislation, the Buck Act (4. USCS.107), prohibits states from imposing a cigarette tax upon members of the military and their dependents.

Category/Year Enacted: Government. 1940

Primary Beneficiaries: Active and retired military personnel and their dependents.

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	\$ 15,135	\$ 15,211	\$ 15,287	\$ 15,363
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### **82.24.295(1)      TRIBAL CIGARETTE CONTRACTS**

Description: The cigarette tax does not apply to the sale, use, consumption, handling, possession, or distribution of cigarettes by Indian retailers if their tribes have entered into a cigarette tax contract with the state of Washington pursuant to RCW 43.06.455

Purpose: To provide consistency in the regulation and taxation of cigarettes in Indian country.

Category/Year Enacted: Government. 2001

Primary Beneficiaries: State, local and tribal 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	\$ 63,000	\$ 63,000	\$ 63,000	\$ 63,000
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.26.040 TOBACCO PRODUCTS, CONSTITUTIONAL REASONS**

Description: The tobacco products tax does not apply to tobacco products (cigars, pipe tobacco, etc.) that the state may not tax under the federal constitution or U.S. laws. This has been interpreted under the Buck Act (4.USCS.107) to prohibit taxing tobacco products sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose: Federal legislation prohibits states from imposing a tax on tobacco products purchased by members of the military and their dependents.

Category/Year Enacted: Government. 1940

Primary Beneficiaries: Active and retired military personnel and their dependents.

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	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### **82.26.110 TOBACCO PRODUCTS, OUT-OF-STATE SALES, ETC.**

Description: In-state wholesalers of tobacco products can obtain a tax credit for sales to tribal and federal entities. Historically, the Department has not required wholesalers to collect and remit other tobacco products tax on sales to tribal and federal entities, but the treatment of these sales was not clear.

Purpose: To codify existing practice in response to statutory changes and recently settled lawsuits.

Category/Year Enacted: Government. 1959 (clarifying language added in 2007)

Primary Beneficiaries: Wholesalers of tobacco products

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	\$ 3,123	\$ 3,378	\$ 3,513	\$ 3,653
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely. Since federal and tribal entities are exempt from the tax, they could acquired their own storage facilities and easily buy from out-of-state wholesalers.

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### FUEL TAXES

#### **82.36.029      MOTOR VEHICLE FUEL HANDLING LOSSES**

Description: Deduction from motor vehicle fuel tax is allowed to account for losses sustained in handling of the fuel. The reduction in tax liability equals 0.25 percent of the net taxable gallonage for vehicle fuel suppliers acting as a distributor and 0.3 percent for all other licensees.

Purpose: To reflect fuel losses resulting from handling and evaporation.

Category/Year Enacted: Other business. 1939; shifted to current statute in 1998.

Primary Beneficiaries: Distributors of motor vehicle fuel.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Data not separately identified by the Department of Licensing. Included under the exemption for Refunds for Nonhighway Use of Fuel.

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

#### **82.36.230      IMPORTED AND EXPORTED FUEL 82.38.030**

Description: Exemption from motor vehicle fuel tax and special fuel tax is allowed for fuel imported into the state in interstate or foreign commerce which is intended to be sold while in interstate or foreign commerce and for any fuel that is exported from the state.

Purpose: To promote export sales by Washington fuel distributors.

Category/Year Enacted: Commerce. 1933

Primary Beneficiaries: Distributors of fuel.

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	\$970,995	\$1,046,321	\$1,074,609	\$1,094,785
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.36.230 FUEL SOLD TO THE MILITARY**

Description: The federal government is exempt from motor vehicle fuel tax on fuel sold to the armed forces of the United States or to the National Guard for use exclusively in ships or for export.

Purpose: To promote such sales by Washington fuel distributors and to recognize the prohibition against taxing the federal government.

Category/Year Enacted: Government. 1933

Primary Beneficiaries: The federal government.

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	\$ 148	\$ 159	\$ 164	\$ 167
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### **82.36.245 FUEL SOLD TO FOREIGN GOVERNMENTS**

Description: Exemption from motor vehicle fuel tax is allowed for qualified foreign diplomatic and consular missions and their qualified personnel. To qualify, the foreign country must allow similar fuel tax exemptions to employees of the U.S. government. The U.S. State Department determines which foreign consulates are eligible for the exemption.

Purpose: To recognize the rights of these individuals under treaties made by the U.S. government and to reciprocate for similar privileges granted to American embassy personnel abroad.

Category/Year Enacted: Government. 1967; amended in 1989 to allow outright exemption instead of a refund of fuel tax paid.

Primary Beneficiaries: Employees of foreign 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	\$ 4	\$ 4	\$ 4	\$ 4
Local taxes - no local tax levied				

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

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**82.36.275      FUEL FOR URBAN TRANSPORTATION SYSTEMS**  
**82.38.080**

Description: Exemption from motor vehicle and special fuel taxes for fuel used in public transportation systems which operate within specified mileage of the city limits from which trips originate.

Purpose: To support public transportation systems.

Category/Year Enacted: Government. 1957

Primary Beneficiaries: Municipal transportation systems and their patrons.

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	\$ 442	\$ 476	\$ 489	\$ 498
Local taxes - no local tax levied				

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

**82.36.280      REFUNDS FOR NONHIGHWAY USE OF FUEL**

Description: A refund of the amount of fuel tax is allowed when the fuel is to be used other than on public highways of Washington in machinery or vehicles that are not licensed for highway use. The amount of fuel tax refunded is subject to state/local use tax which is deducted from the refund amount.

Purpose: Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to assure that the tax applies only to fuel used on public highways.

Category/Year Enacted: Tax base. 1923

Primary Beneficiaries: Nonhighway users of fuel, e.g., boaters, farmers, construction firms, etc.

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	\$ 719	\$ 774	\$ 795	\$ 810
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.36.285      TRANSPORTATION OF PERSONS WITH SPECIAL NEEDS** **82.38.080(1h)**

Description: Refunds of motor vehicle fuel tax and exemption from special fuel taxes are provided for private, nonprofit organizations which provide transportation services for persons with special transportation needs.

Purpose: To support transportation programs for the elderly and handicapped.

Category/Year Enacted: Nonprofit - health or social welfare. 1983.

Primary Beneficiaries: Nonprofit transportation providers and the persons they serve.

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	\$ 204	\$ 220	\$ 226	\$ 230
Local taxes - no local tax levied				

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

### **82.36.300      REFUNDS FOR EXPORTED FUEL**

Description: A refund of motor vehicle fuel tax is allowed for fuel that has been exported from the state, as long as the tax was previously paid on such fuel.

Purpose: To encourage export commerce.

Category/Year Enacted: Commerce. 1923

Primary Beneficiaries: Distributors who export fuel to other states.

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	\$ 1,232	\$ 1,328	\$ 1,364	\$ 1,389
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.36.305      MARINE USES OF FUEL**

Description: A refund of motor vehicle fuel tax paid is provided for fuel that is used exclusively for marine purposes. The amount of fuel tax refunded is subject to state/local use tax which is deducted from the refund amount. (Refunds also allowed for nonhighway use of fuel by RCW 82.36.280.)

Purpose: To limit the fuel tax to highway users.

Category/Year Enacted: Tax base. 1957

Primary Beneficiaries: Marine fuel dealers and boaters.

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	\$ 369	\$ 398	\$ 408	\$ 416
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### **82.36.370      LOST OR DESTROYED FUEL**

### **82.38.180**

Description: A refund of fuel tax previously paid is allowed in instances where the fuel is lost or destroyed as a result of fire, lightning, flood, wind storm or explosion. A refund is also provided to the owner of fuel of 500 gallons or more that is lost or destroyed through leakage or other casualty except evaporation, shrinkage, or unknown causes.

Purpose: To avoid imposition of the tax on fuel that is not actually used.

Category/Year Enacted: Other business. 1923

Primary Beneficiaries: Fuel distributors.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Minimal; refund claims for these purposes are rarely made. Any impact is included under the Refunds for Nonhighway Use of Fuel.

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

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### **82.38.080      OTHER SPECIAL FUEL TAX EXEMPTIONS**

Description: This statute provides a number of exemptions from special fuel tax (propane, natural gas, etc.). These exemptions include fuel used: (1) for heating purposes; (2) certain governmental vehicles – fire trucks, federal government vehicles, state and local vehicles used for street and highway construction and maintenance; (3) urban transportation systems; (4) power take-off units (pumping units on trucks); and (5) others. Some of these have been included with related motor vehicle fuel tax exemptions above.

Purpose: To recognize that some fuels suitable for propelling motor vehicles are also put to other uses and to support governmental entities and public transportation.

Category/Year Enacted: Other. 1971

Primary Beneficiaries: Governmental units; purchasers of heating oil; operators of powered equipment.

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	\$674,918	\$742,230	\$786,169	\$817,252
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Generally, no.

### **82.42.020      CROP DUSTING**

Description: The statute that imposes the aircraft fuel tax contains a proviso that exempts aircraft fuel used in the spraying of crops, if the airplane normally flies from a private airport.

Purpose: To lower the tax burden on agriculture.

Category/Year Enacted: Agriculture. 1982

Primary Beneficiaries: Farmers.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Unknown; fuel used for crop dusting is not tracked separately by the Department of Licensing.

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

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### **82.42.020      EMERGENCY MEDICAL AIR TRANSPORT**

Description: The statute that imposes the aircraft fuel tax (currently ten cents per gallon) contains a proviso that exempts aircraft fuel used for emergency medical air transport services.

Purpose: To lower the cost of providing emergency medical air transport services.

Category/Year Enacted: Other. 2003

Primary Beneficiaries: Emergency medical air transport operators.

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	\$ 65	\$ 68	\$ 69	\$ 70
Local taxes - no local tax levied				

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

### **82.42.030      AIRCRAFT FUEL THAT IS EXPORTED OR USED COMMERCIALY 82.42.070**

Description: The aircraft fuel tax does not apply to fuel that is exported from the state or used in commercial aircraft (interstate and local commuter carriers) and other specified users of aircraft fuel, including aircraft used for testing and training purposes.

Purpose: To promote export sales by Washington businesses.

Category/Year Enacted: Commerce. 1967

Primary Beneficiaries: Aircraft fuel distributors

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	\$ 53,643	\$ 55,574	\$ 56,723	\$ 57,790
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.42.070 AIRCRAFT FUEL SOLD TO FEDERAL GOVERNMENT**

Description: The aircraft fuel tax does not apply to fuel sold to the U.S. government or any federal agency.

Purpose: To encourage the federal government to purchase aircraft fuel from Washington businesses.

Category/Year Enacted: Government. 1971

Primary Beneficiaries: The federal government and it agencies, including branches of the armed forces.

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	\$ 22,547	\$ 23,359	\$ 23,842	\$ 24,290
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

## **LIQUOR TAXES**

### **66.20.010(7) SALES OF LIQUOR TO THE MILITARY**

Description: Sales of liquor to authorized representatives of military installations are made at prices fixed by the Liquor Control Board and are exempt from liquor sales taxes.

Purpose: To increase the number of sales taking place through the Board and to bring the sale and distribution of such liquor under the control and regulation of the Board. Otherwise, the military could purchase liquor outside of the state and there would be no state regulation or tax, due to the prohibition against taxing the federal government.

Category/Year Enacted: Government. 1933

Primary Beneficiaries: Military installations and ultimately military personnel serving in Washington.

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	\$ 3,357	\$ 3,546	\$ 3,747	\$ 3,959
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **66.24.290(3, b) BEER TAX EXEMPTION; 1st 60,000 BARRELS**

Description: Microbreweries are exempt from the \$4.78 per barrel portion of the beer excise tax which is earmarked for health service on the first 60,000 barrels of beer produced each year. However, an additional tax of \$1.48 levied in 1997 applies only to the first 60,000 barrels they produce, thereby reducing the effective exemption to \$3.30 per barrel. Microbreweries remain fully subject to the remainder of the excise tax rates.

Purpose: To mitigate the impact of a general tax increase in 1993 on a growing local industry.

Category/Year Enacted: Business incentive. 1993

Primary Beneficiaries: Small breweries.

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	\$ 3,600	\$ 3,701	\$ 3,806	\$ 3,913
Local taxes - none.				

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

## REAL ESTATE EXCISE TAX

### **82.45.010 REAL ESTATE EXCISE TAX EXEMPTIONS**

Description: This statute lists a variety of types of transfers of real property which are excluded from state and local real estate excise tax. These include transfers by gift or inheritance, transfers with respect to divorce, transfers by governmental entities, condemnations, cemetery lots, etc.

Purpose: To assure that the tax applies only to arm's-length purchases of real estate in situations where the purchase price is reflective of the market price.

Category/Year Enacted: Tax base. Generally in 1951.

Primary Beneficiaries: Persons who acquire real property in the specified situations.

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	\$184,884	\$197,119	\$210,164	\$224,073
Local taxes	\$ 66,442	\$ 70,839	\$ 75,527	\$ 80,525

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, but in some of these situations a price equivalent to market value might have to be established.

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### **82.45.190 REAL ESTATE EXCISE TAX: 2nd NARROWS BRIDGE**

Description: Exemption from real estate excise tax is provided for the originally envisioned transfer of state route 16 corridor transportation facilities which are being constructed under Chapter 47.46 RCW. This addresses the current construction of a second bridge over Puget Sound at the Tacoma Narrows.

Purpose: As originally planned, this exemption would enable transfer of the completed bridge to the private operator of the facility without incurring real estate excise tax liability.

Category/Year Enacted: Tax base. 1998

Primary Beneficiaries: The intended private operator of the bridge facility.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. The current concept of, and agreement for, construction and operation of the bridge and the associated state route 16 improvements does not entail any transfer of property by the state.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; transfer to a private owner is not currently contemplated.

### **82.45.195 REAL ESTATE EXCISE TAX: STANDING TIMBER**

Description: Sales of timber pursuant to a severance contract are exempt from real estate excise tax if the timber is harvested within 30 months without regard to when title passes or how payment is made. However, such income is subject to state B&O tax at a rate of 0.2904 percent.

Purpose: To provide tax relief to the wood products industry.

Category/Year Enacted: Other business. 2007.

Primary Beneficiaries: Integrated wood products companies and real estate investment trusts.

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	\$ 611	\$ 711	\$ 729	\$ 747
Local taxes	\$ 281	\$ 328	\$ 336	\$ 344

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, but in some of these situations a price equivalent to market value might have to be established.

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### ESTATE TAX

#### **83.100.020(13)          ESTATE TAX THRESHOLD**

Description: The new stand-alone estate tax enacted in 2005 allows an exclusion of the first \$2 million of asset value from each taxable estate.

Purpose: To assure that estates of moderate values are not subject to the tax.

Category/Year Enacted: Individuals. 2005

Primary Beneficiaries: Estates with taxable values of less than \$2 million.

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	\$311,104	\$317,985	\$324,970	\$332,265
Local taxes - no local tax.				

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

#### **83.100.046          FARM PROPERTY**

Description: The new stand-alone estate tax enacted in 2005 allows a deduction for the value of qualified real and personal property used primarily for farming.

Purpose: To support family-farms and encourage surviving family members to continue farming.

Category/Year Enacted: Agriculture. 2005

Primary Beneficiaries: Estates containing property used for active farming purposes.

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	\$ 150	\$ 150	\$ 400	\$ 400
Local taxes - no local tax.				

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

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### **83.100.047    MARITAL DEDUCTION**

Description: Surviving spouses of decedents are allowed to postpone paying the estate tax until the estate passes to other beneficiaries following their death.

Purpose: To avoid the surviving spouse having to pay estate tax on community property acquired during their marriage to the decedent.

Category/Year Enacted: Tax base. 2005

Primary Beneficiaries: Surviving spouses.

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	\$ 3,419	\$ 3,901	\$ 4,300	\$ 4,740
Local taxes - no local tax.				

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