

SALES TAXES

RETAIL SALES/USE TAX - DEFERRALS AND CREDITS

36.100.090 BASEBALL STADIUM DEFERRAL

Description: State/local retail sales/use tax was deferred on construction of a public baseball stadium. The stadium must be owned and operated by a public facilities district, and the facility must have a retractable roof and natural turf. Deferred sales tax on construction is repayable over a ten year period, starting on the fifth year after completion. Safeco Field was completed in January, 2000 and the repayments of deferred sales/use tax began in FY 2006.

Purpose: To encourage construction of a stadium for professional baseball in King County.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: The public facilities district that operates Safeco Field and the professional baseball team that plays its home games in the stadium.

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	\$ (2,473)	\$ (2,473)	\$ (2,473)	\$ (2,473)
Local taxes	\$ (799)	\$ (799)	\$ (799)	\$ (799)

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; the deferred taxes are already being repaid.

36.102.070 FOOTBALL STADIUM DEFERRAL

Description: State and local retail sales/use tax was deferred on construction of a stadium for professional football and soccer and an adjacent exhibition center. Deferred sales tax on construction is repayable over a ten year period, starting five years after the stadium becomes operational. The Public Stadium Authority operates Qwest Field and the exhibition center which was completed during 2002. Repayments of deferred sales/use taxes began during FY 2007.

Purpose: To encourage construction of a stadium for professional football and soccer in King County.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The public stadium authority that operates Qwest Field and the professional football team that plays its home games in the stadium.

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	\$ (2,756)	\$ (2,756)	\$ (2,756)	\$ (2,756)
Local taxes	\$ (975)	\$ (975)	\$ (975)	\$ (975)

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; the deferred taxes are already being repaid.

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47.46.060 2nd NARROWS BRIDGE

Description: A five year deferral of state and local retail sales tax is provided for tax due on construction of a second bridge over Puget Sound at the Tacoma Narrows. The deferral includes related road improvements and the rental of equipment used during construction. Beginning on December 31 of the fifth year following completion of the project, 10 percent of the deferred tax must be repaid annually.

Purpose: To lower the overall cost of the project and to mitigate the amount of tolls necessary to fund repayment of the bonds financing construction costs of the project.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: Drivers who use the highly congested Highway 16 corridor (assuming that tolls would otherwise have to be increased).

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	\$ 9,281	\$ 0	\$ 0	\$ 0
Local taxes	\$ 2,899	\$ 0	\$ 0	\$ 0

NOTE: Completion of the bridge is expected during FY 2008.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? The amount of tax that is deferred will be repaid.

82.08.037 BAD DEBTS 82.12.037

Description: A credit or refund against current sales tax liability is allowed for retail sales taxes previously remitted to the state on debts that are deductible as worthless for federal income tax purposes.

Purpose: To limit a seller's tax liability to sales for which the seller actually receives payment.

Category/Year Enacted: Other business. 1982

Primary Beneficiaries: Firms that make sales on credit.

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	\$ 36,913	\$ 38,084	\$ 39,732	\$ 41,451
Local taxes	\$ 10,790	\$ 11,132	\$ 11,614	\$ 12,116

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

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82.12.035 TAX PAID IN OTHER STATES

Description: A credit against use tax liability on items brought into Washington is allowed for the amount of retail sales or use taxes paid to another state or political subdivision thereof. The credit is limited to the amount of Washington use tax otherwise due.

Purpose: The primary function of the use tax is to complement the retail sales tax by asserting tax in situations where the Washington retail sales tax did not apply (purchases made in other states, items bought from private parties, etc.). This credit avoids overtaxing items for which tax was legitimately paid to another jurisdiction.

Category/Year Enacted: Tax base. 1967

Primary Beneficiaries: Washington residents who purchase goods and pay sales/use tax thereon outside the state and then import the items into Washington for use in this state.

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	\$129,362	\$133,464	\$140,138	\$147,145
Local taxes	\$ 39,804	\$ 41,066	\$ 43,119	\$ 45,275

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

82.32.065 VEHICLES UNDER WARRANTY

Description: A credit or refund of retail sales tax paid is allowed to manufacturers of vehicles, if they refund the sales tax to customers upon the return of new vehicles under the provisions of Chapter 19.118 RCW, commonly known as the “lemon” law.

Purpose: To assure that manufacturers are not financially responsible for the sales tax, if they refund the tax previously collected to customers.

Category/Year Enacted: Other business. 1987

Primary Beneficiaries: Manufacturers of new motor vehicles that are found to be defective and ultimately the purchasers of these vehicles.

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	\$ 141	\$ 139	\$ 137
Local taxes	\$ 47	\$ 46	\$ 44	\$ 43

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

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82.32.580 MUSEUM FOR HISTORIC AUTOS

Description: The governing board of a nonprofit organization may apply for deferral of retail sales/use tax on construction of a museum for historic automobiles, if the facility is located in Pierce County. The facility must be used to maintain and exhibit to the public at least 500 historic autos. Application is allowed on or after July 1, 2007. Taxes deferred must be repaid over a ten year period, starting five years after the date that the facility is operationally complete.

Purpose: To encourage construction of an historic automobile museum in Pierce County.

Category/Year Enacted: Nonprofit – arts or cultural. 2005

Primary Beneficiaries: The Harold E. LeMay Museum. (Note: disclosure is allowed by the statute.)

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	\$ 2,600	\$ 2,676	\$ 2,754	\$ 2,835
Local taxes	\$ 812	\$ 835	\$ 860	\$ 885

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

82.32.760 (1, b) COSTS TO IMPLEMENT SALES TAX DESTINATION SOURCING

Description: Retailers that have annual gross incomes of less than \$500,000 and have at least 5 percent of their gross income derived from sales of goods that are delivered outside of jurisdictions where they have a physical presence are allowed to choose one of two alternatives methods of tax relief to help small businesses mitigate the costs of switching from origin-based sourcing of local sales tax to destination-based sourcing. The first alternative allows them to use the services of a certified service provider for up to two years at no cost. The second option is to take a credit for their actual costs up to a maximum of \$1,000 against their state retail sales/use tax liability. The credit must be first claimed within one year from July 1, 2008.

Purpose: To help small retailers make the transition from origin-based sourcing to destination-base sourcing of local sales tax liability, as required by the Streamline Sales and Use Tax Agreement.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Small retailers that make deliveries to other jurisdictions.

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	\$ 0	\$ 11,752	\$ 2,953	\$ 1,213
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

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82.34.050(2) POLLUTION CONTROL CREDIT

Description: Construction of required pollution control facilities associated with approved applications received between July 30, 1967 and November 30, 1981 were exempt from state retail sales/use tax. If the tax was previously paid, it may be taken as a credit against state B&O, public utility or use taxes.

Purpose: To encourage abatement of pollution and to compensate Washington firms for the costs of upgrading pollution control facilities.

Category/Year Enacted: Other business. 1967; program terminated in 1981, but remaining credits still allowed.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries.

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	\$ 56	\$ 45	\$ 36	\$ 29
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

82.60.040 RURAL COUNTY SALES TAX DEFERRAL **82.60.049**

Description: Deferral of state and local retail sales/use tax is available for new or remodeled buildings and/or equipment used in manufacturing or R&D in certain areas. To qualify, the project must be located in a county with an average population density of no more than 100 persons per square mile or in a targeted community empowerment zone. Originally the sales/use tax liability was deferred for three years, followed by a five year graduated repayment. Since July 1, 1994, the repayment requirement has been waived (provided program requirements are maintained), thereby making the program an outright exemption. The statute is currently scheduled to expire on July 1, 2010.

Purpose: To encourage manufacturing and R&D activities, and related job creation, in rural areas.

Category/Year Enacted: Business incentive. 1985 (expiration date extended in 2004)

Primary Beneficiaries: As of September 2007 approximately 1,740 applications had been received.

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	\$ 18,852	\$ 21,180	\$ 23,468	\$ 25,441
Local taxes	\$ 5,844	\$ 6,566	\$ 7,275	\$ 7,887

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

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82.63.030 HIGH TECHNOLOGY DEFERRAL

Description: Deferral of state and local retail sales/use tax is allowed for the construction of buildings and acquisition of machinery and equipment for projects involving research and development or pilot scale manufacturing. To qualify, the firm must be engaged in one of five areas related to high technology: advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology. Originally the sales/use tax liability was deferred for three years, followed by a five year graduated repayment. Since 1995 the repayment requirement has been waived (provided program requirements are maintained), thereby making the program an outright exemption. The statute is currently scheduled to expire on July 1, 2015.

Purpose: To stimulate the creation of high wage jobs in high technology industries and ultimately to encourage the expansion of manufacturing in Washington.

Category/Year Enacted: Business incentive. 1994 (expiration date extended in 2004).

Primary Beneficiaries: As of September 2007, approximately 560 firms had participated in the program.

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	\$ 50,459	\$ 52,465	\$ 54,468	\$ 56,763
Local taxes	\$ 15,642	\$ 16,264	\$ 16,885	\$ 17,596

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

82.66.040 HORSE RACING TRACK DEFERRAL

Description: Deferral of retail sales/use tax was allowed for construction of a thoroughbred horse racing facility in Western Washington, if construction commenced by July 1, 1998. The facility was completed in 1996. Repayment of the deferred tax starts 10 years after completion of the project and is repaid over ten years. The first repayment of deferred tax was made on December 31, 2006.

Purpose: To encourage construction of the Emerald Downs track.

Category/Year Enacted: Business incentive. 1995; repayment period extended to 10 years in 1998.

Primary Beneficiaries: The Emerald Downs track, and the entire horse racing industry 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	\$ (411)	\$ (411)	\$ (411)	\$ (411)
Local taxes	\$ (107)	\$ (107)	\$ (107)	\$ (107)

No new deferrals allowed; the amounts shown reflect repayments of deferred tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No, previously deferred tax is scheduled for repayment over 10 years beginning at the end of 2006.

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82.74.030 PROCESSING FACILITIES: FRUIT, VEGETABLES, DAIRY, SEAFOOD

Description: Deferral and waiver of retail sales/use taxes on investment projects for firms that process fresh fruit and vegetables, operate cold storage warehouses for storing such product, engage in R&D activities related to processing of such products, or manufacture dairy products or seafood products. The deferral applies to construction or expansion of eligible facilities or acquisition of new equipment.

Purpose: To support the food processing industry.

Category/Year Enacted: Business incentive. 2005, fruit & vegetables; dairy & seafood added in 2006.

Primary Beneficiaries: Eligible firms in these industries that expand their facilities.

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	\$ 5,808	\$ 5,808	\$ 5,808	\$ 5,808
Local taxes	\$ 1,698	\$ 1,698	\$ 1,698	\$ 1,698

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

82.75.030 BIOTECHNOLOGY INVESTMENTS

Description: Deferral/exemption of retail sales/use tax is allowed for construction and eligible equipment for facilities devoted to manufacturing of biotechnology products or medical devices. Biotech products includes items such as viruses, serums, antibodies, proteins, vaccines, blood and blood derivatives and similar items used in the prevention and treatment of diseases of injuries to humans. Medical devices are items intended for use in the diagnosis, prevention or treatment of diseases in humans or other animals. Repayment of the deferred sales/use tax is required only if the facility or equipment is used for a nonqualifying purposes. New applications for the program will not be accepted on January 1, 2017.

Purpose: To encourage biotechnology manufacturing in Washington.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approximately four firms have applied to date.

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	\$ 1,614	\$ 1,721	\$ 1,822	\$ 1,937
Local taxes	\$ 500	\$ 534	\$ 565	\$ 600

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