

TAX EXEMPTIONS - 2008

A Study of Tax Exemptions, Exclusions,
Deductions, Deferrals, Differential Rates and
Credits for Major Washington State and Local Taxes

WASHINGTON STATE DEPARTMENT OF REVENUE
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TO: The Honorable Margarita Prentice, Chair
Senate Ways and Means Committee

The Honorable Ross Hunter, Chair
House Finance Committee

FROM: Cindi L. Holmstrom, Director

SUBJECT: 2008 TAX EXEMPTION REPORT

This report is being submitted to you and your committee members pursuant to RCW 43.06.400. This edition is the eleventh in a series of exemption studies, starting with the first report in 1984.

The current study covers 567 tax preference items for major Washington state and local tax sources. The estimated savings for taxpayers resulting from these exemptions total \$98.5 billion for the 2007-09 Biennium. The format provides a description of the statutory provisions, the purpose of the exemption, a categorical assignment, the year of original enactment, an indication of the primary beneficiaries, whether the exemption presents a possible inconsistency with another state program, and the fiscal impacts in terms of savings for taxpayers for each year of the current biennium and the 2009-11 Biennium.

The estimated taxpayer savings are not necessarily synonymous with the amount of potential revenue that might be realized if the statute were to be repealed. For the current study we have devoted more effort to identifying those exemptions which represent potential revenue collections. In the aggregate this amounts to \$14.8 billion for the current biennium.

The study was prepared by analysts of the Research Division, under the direction of Mary Welsh. Please contact the Research Division at (360) 570-6070 if you have any questions about the study. We are making the report available to all legislators, the staff of your committees, the Governor's Office, and other interested parties. We hope you will find the information to be useful. As always, we are glad to answer any questions you or your committees may have relating to tax exemptions or any other tax matter.

cc: The Honorable Christine O. Gregoire, Governor

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INTRODUCTION AND SUMMARY OF FINDINGS

This report presents a detailed analysis of tax exemptions for major Washington state and local taxes. The term "exemption" is used broadly to include a wide variety of tax preference items which confer reduced tax liability upon a certain class of taxpayers. It includes exclusions, deductions, preferential tax rates, deferrals and credits. The exemption study is updated every four years pursuant to RCW 43.06.400 (see Appendix 1). The report does not include a discussion of the theoretical considerations of tax exemptions, nor does it contain any recommendations as to the retention or removal of existing exemptions. It is intended only to fulfill the statutory requirement of providing a "listing" of current exemptions.

The current study analyzes 567 different exemptions found principally in Titles 82 and 84 of the Revised Code of Washington. In some instances, similar statutes are considered together as a single exemption, e.g., retail sales and use tax exemptions for the same product or activity. In other cases, a single statute may be divided into separate exemptions to better illustrate the impacts, e.g., the property tax exemption for public property is discussed separately for the various governmental jurisdictions (federal, state, city, county, etc.).

It must be emphasized that the revenue impacts presented herein reflect the estimated savings to taxpayers and do not necessarily indicate the potential revenue which might accrue to governmental jurisdictions in the absence of the exemptions. Constitutional prohibitions against taxing certain activities, property tax rate limits, the overall state limitation on spending (Initiative 601), issues of tax administration, and even the likelihood of changes in

taxpayer behavior combine to limit the potential revenue. Further, the estimates are in terms of accrued tax liability and the actual cash receipts during a particular biennium might be lower as a result of initial compliance factors. A later section of this introduction discusses the degree to which revenue might be realized in the absence of these exemption statutes.

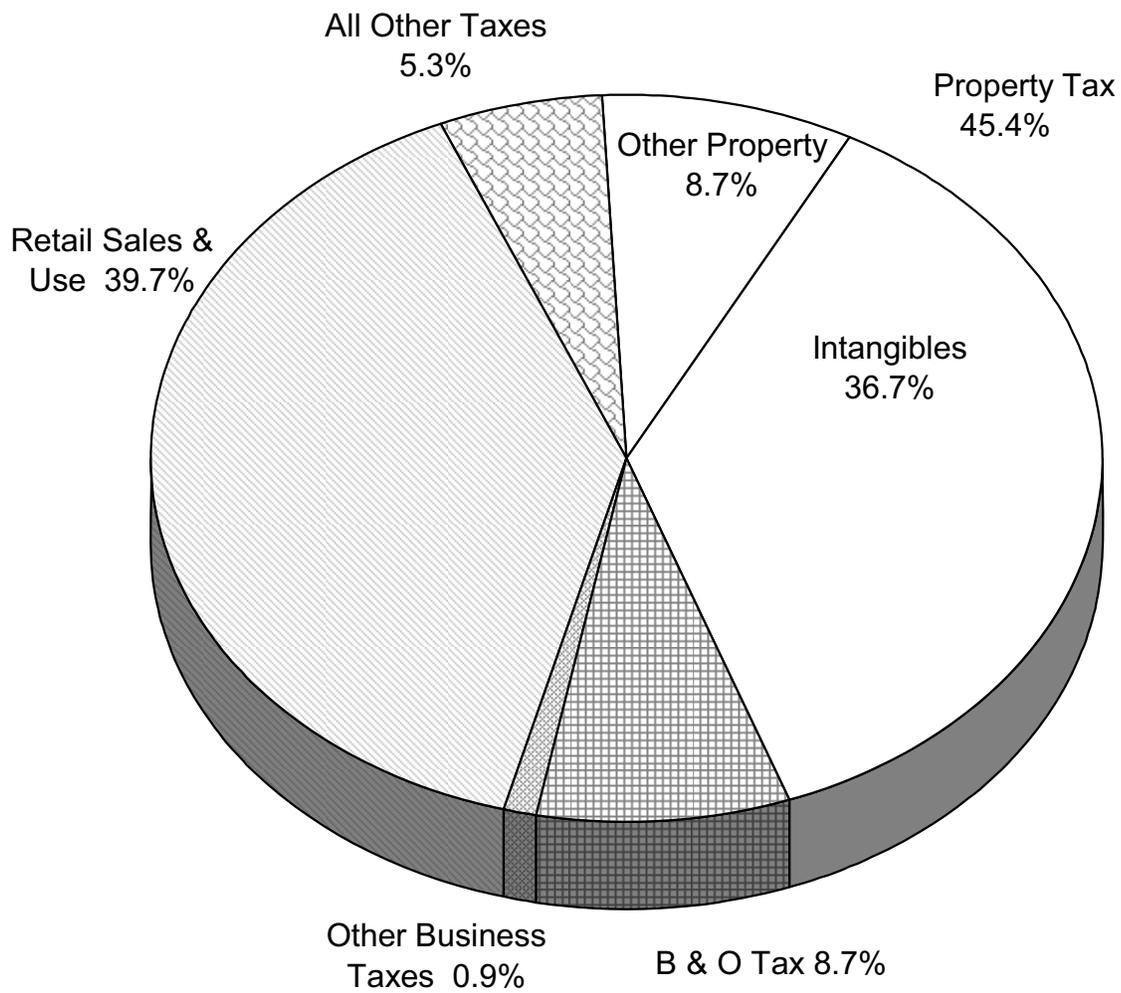
Table 1
SUMMARY OF TAX EXEMPTIONS BY TAX SOURCE

Estimated Savings to Taxpayers
2007-09 Biennium (\$000,000)

Tax Source	Number of Exemptions	State Taxes	Local Taxes	TOTAL
Property Tax	103	\$ 9,056.2	\$35,653.2	\$44,709.4
In Lieu Excise Taxes	39	50.6	29.4	80.0
Business & Occupation Tax	161	8,609.9	---	8,609.9
Public Utility Tax	32	593.3	---	593.3
Other Business Taxes	41	267.0	---	267.0
Retail Sales & Use Tax	158	29,987.2	9,138.3	39,125.5
All Other Taxes	33	4,961.3	137.9	5,099.2
TOTAL	567	\$53,525.5	\$44,958.8	\$98,484.3

Chart 1 DISTRIBUTION OF TAX EXEMPTIONS BY TAX SOURCE

Estimated Taxpayer Savings for 2007-09 Biennium
Percentage of \$98.5 Billion Total State /Local Tax Savings



As seen in Table 1, the aggregate state and local impact of the 567 exemptions amounts to an estimated savings for taxpayers of \$98.5 billion for the 2007-09 Biennium. About 54 percent of the total or \$53.5 billion is represented by exemptions from state taxes; exemptions from local government taxes amount to \$45 billion. Well over one-half of the state impact is associated with retail sales/use tax exemptions. Property and business and occupation (B&O) tax exemptions also account for a large share of the state impact. By far the largest share of local exemptions impacts relates to the property tax; nearly all of the remainder is attributable to local sale tax exemptions.

In terms of tax sources, the property tax is attributable for the largest savings for taxpayers - \$44.7 billion or 45 percent of the total for all taxes. Within the property tax category, the exemption of intangibles amounts to \$36 billion in tax savings; such a large impact dominates the remainder of the tax exemption impacts. The retail sales and its companion use tax total \$39.1 billion in tax savings. Among the larger sales/use tax exemptions are constitutionally required exemptions for interstate sales, the exclusion of personal and professional services, personal property brought into the state by nonresidents, and the exemption of food for off-premises consumption. The third largest group of exemptions is for the state B&O tax; exemptions for employee wages and salaries, income related directly to interstate commerce, and the investment income of nonfinancial businesses represent the largest B&O tax exemptions.

Exemptions vs. Revenues

Table 2 and Chart 2 compare the estimated taxpayer savings resulting from exemptions for major state tax sources with the forecasted revenues for those same sources. (Local taxes are excluded

due to the lack of revenue projections.) In the aggregate, these state exemptions amount to \$48.6 billion for the 2007-09 Biennium, while the projected revenues for these state sources total only \$28 billion. For most of these state taxes, the amount exempted exceeds the actual amount of expected revenue. The estimated amount of taxpayer savings equals 172 percent of the amount of revenue derived from these state taxes. Stated another way, the amount of taxpayer savings is over 60 percent of the potential tax base, if all of these exemptions were eliminated.

Table 2
COMPARISON BETWEEN EXEMPTIONS AND REVENUES
Selected Major State Tax Sources
2007-09 Biennium (\$000,000)

State Tax Source	Total Taxpayer Savings Resulting from Exemptions	Projected Tax Revenues ¹	Exemptions as a Percent of Revenue	Exemptions as a Percent of Potential Tax Base ²
State Property Tax Levy	\$9,056.2	\$ 3,007.4	301.2%	75.1%
State B&O Tax	8,609.9	5,718.5	150.6	60.1
Public Utility Tax	593.3	764.4	77.6	43.7
Retail Sales/Use Tax	29,987.2	16,999.8	176.4	63.8
Real Estate Excise Tax	383.3	1,750.3	21.9	18.0
TOTAL	\$48,629.9	\$28,240.4	172.2%	63.3%

¹ Revenue Forecast, Office of the Forecast Council, November, 2007. Forecast for retail sales/use, B&O, public utility, and real estate excise taxes includes nongeneral fund components of these taxes.

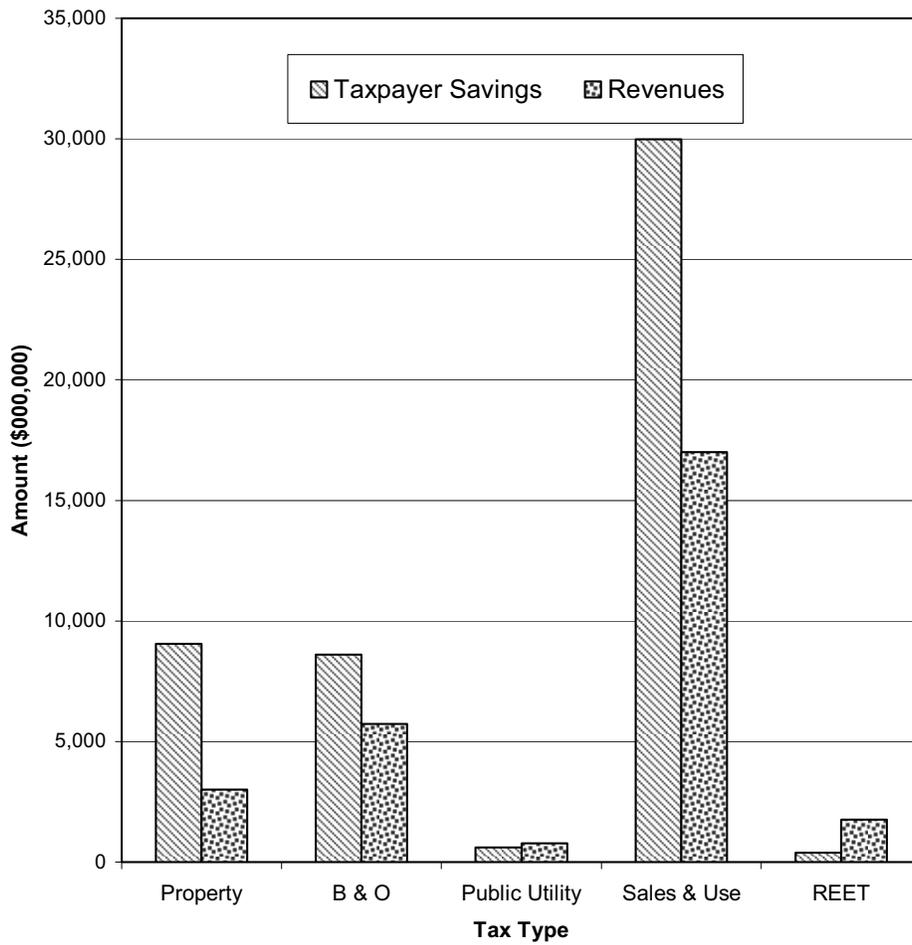
² The total taxpayer savings from exemptions compared with the total exempt amount plus the projected revenue, i.e., exemptions compared with the total potential revenue if the exemptions did not exist.

Chart 2

COMPARISON BETWEEN EXEMPTIONS AND REVENUES

Taxpayer Savings and Projected Revenue Collections
For Major State Taxes (Does Not Include Local)

2007-09 Biennium (\$000,000)



Categorical Analysis

Tax exemptions are established for a variety of reasons. In an attempt to present more meaningful data for the various types of exemptions, 14 categories were developed and each of the exemptions was assigned to the category which most closely represents its general purpose or type of beneficiary (recognizing that many exemptions serve multiple purposes). A brief description of the exemption categories appears below:

Tax Base

This category includes activities which were not intended by the Legislature to be included in the original tax base. For example, the state B&O tax is intended to tax the privilege of engaging in business. Working for an employer as an employee is not considered as engaging in business, because employees typically do not have the same degree of responsibility for, or benefit from the success of, a firm as does the owner of the business. Thus, there is a specific statutory exemption (RCW 82.04.360) to assure that employees are not subject to B&O tax, even though it was never the intention that the tax apply to salaries and wages.

Government

Governmental jurisdictions include the federal government, the state of Washington, local governments and foreign countries. In some instances these entities may be taxed, e.g., state and local jurisdictions pay retail sales tax on the acquisition of tangible personal property. Even the federal government is indirectly taxed through the use tax liability of contractors who install tangible personal property pursuant to federal construction contracts. However, for some other taxes, subjecting publicly owned property and governmental activities to tax would simply amount to a transfer of funds among jurisdictions. Particularly in the case of property taxation, valuation of public property would significantly increase the cost of administering the tax.

Commerce

The U.S. Constitution prohibits direct taxation of interstate commerce. As a result, certain exemptions have been enacted to assure that Washington does not violate this requirement.

Intangibles

Wealth that is represented by intangible assets, such as money, stock and bonds, bank deposits and other securities, is exempt from property taxation. Because of its unique nature and the difficulty of distinguishing between intangibles that are owned by individuals and businesses, a separate category has been assigned to this major exemption which dominates the fiscal impact totals.

Services

A major exclusion from the base of the retail sales tax is represented by services. Initially, the sales tax applied only to tangible personal property (i.e., goods). But over the years the base has been extended to certain other activities such as construction and repair services. If the sales tax is considered as a broad-based tax upon consumption, then purchases of personal and professional services consumed by individuals and businesses could logically be subject to tax. However, this would represent a major new direction in state tax policy.

Nonprofit Organizations

There are a variety of property, B&O and sales tax exemptions allowed for nonprofit organizations. This report further categorizes these exemptions according to the specific type or function of the organization:

- "H" - Health or social welfare organization
- "C" - Charitable or religious organization
- "A" - Arts or cultural organization
- "O" - All other nonprofit groups.

Individuals

These exemptions generally benefit people, as opposed to businesses or other entities. Some exemptions in this category are directed toward a certain group of people such as senior citizens.

Business Incentives

Some exemptions are "targeted" to encourage particular activities by businesses. Most often, these are intended to attract or retain a specific industry to Washington and create employment opportunities in this state. Other exemptions seek to encourage businesses to behave in a certain fashion, e.g., locate or expand in rural counties, invest in pollution control equipment, etc.

Other Exemptions for Businesses

Many other exemptions are provided for firms without specifically expecting a particular behavior, e.g., deductions for cash discounts and credit losses. These are generally enjoyed by most business entities. Broadly speaking, exemptions for businesses can be assumed to benefit individuals in the long run, since firms typically pass on their tax liability to customers, employees, or owners of the business.

Agriculture

Many exemptions have been adopted to assist the agricultural industry. The bulk of Washington's current excise taxes were adopted in the 1930s when the Great Depression was adversely impacting many industries, in particular the farming community.

Other Exemptions

Some exemptions do not fit conveniently into another grouping, so these are considered together in the "Other" category.

Table 3 summarizes the results of the categorical analysis. The largest single exemption is the property tax exemption for intangibles, amounting to \$36.2 billion in taxpayer savings which accounts for over one-third of the total. Exemptions for individuals are also close to one-third of taxpayer savings. Among the larger items in this category are the property tax exemption for household goods; use tax exemption for imported personal property of nonresidents; and sales tax exemptions for food, prescription drugs, motor vehicle fuel (recognizing that businesses also purchase gasoline), trade-ins and local residential telephone service. The share of total exemptions for individuals would be much greater if it included their portion of the taxpayer savings for intangibles and services.

Table 3
TAX EXEMPTIONS BY CATEGORY
2007-09 Biennium (\$000,000)

Category	Number of Exemptions	State and Local Taxpayer Savings	Percent of Total
Tax base	66	\$ 8,252.5	8.4%
Government	74	4,988.3	5.1
Commerce	23	5,210.0	5.3
Intangibles	1	36,185.9	36.7
Services	3	5,436.6	5.5
Nonprofit organizations:			
Health or social welfare	34	522.6	0.5
Charitable or religious	12	198.9	0.2
Arts or cultural	7	33.7	--
Other organizations	25	176.3	0.2
Individuals	47	32,049.4	32.6
Business incentive	103	1,288.5	1.3
Other business	89	1,956.9	2.0
Agriculture	54	693.2	0.7
Other	29	1,491.4	1.5
TOTAL	567	\$98,484.3	100.0%

Exemption categories over which the Legislature has the least discretion are Tax Base and Commerce. Exemptions in these categories are either required for constitutional reasons or

would involve a significant departure from current tax policy to eliminate them. Those in the Government category, likewise, have little potential for repeal. Taken together, the exemptions in these three categories represent nearly 20 percent of the total taxpayer savings.

Two classes of exemptions reflect long-standing and fundamental tax policy: the property tax exemption for intangibles and the sales tax exemption for services. Significant revision in either category would involve a major tax policy change.

Exemptions for businesses are assigned to one of three groupings: Business Incentives, Other Business, or Agriculture. There are 103 exemptions in the first category, 89 in the second, and 54 in the third. Together, these account for 4 percent of the total taxpayer savings. Dominating the business tax exemptions are the property tax exemption for inventories and the sales tax exemption for manufacturing machinery.

The 78 exemptions provided for nonprofit organizations account for a very small portion, less than 1.0 percent, of the total taxpayer savings. Finally, the 29 exemptions assigned to the Other category represent about 1.5 percent of the taxpayer savings.

Table 4**TAX EXEMPTIONS BY YEAR OF ENACTMENT
State/Local Tax Savings for 2007-09 Biennium (\$000,000)**

Year Adopted	Number	Current Savings	Year Adopted	Number	Current Savings
1854	4	\$ 942.2	1941	1	\$ 0.1
1871	1	701.8	1943	3	383.4
1886	1	110.6	1945	5	38.9
1889	5	3,148.1	1947	4	24.5
1890	3	4.8	1949	9	519.2
1891	2	7.3	1951	1	519.3
1911	1	142.6	1955	4	1.1
1915	3	42.1	1957	2	1.7
1923	3	4.1	1959	4	32.6
1925	2	124.7	1961	5	23.9
1929	1	1.3	1963	3	6.7
1931	4	36,368.8	1965	7	195.4
1933	5	2,060.2	1967	15	682.4
1935	38	39,160.9	1970	12	295.0
1937	3	130.0	1971	12	1,552.0
1939	1	0.0	1972	1	1.3
1940	2	32.9	1973	4	172.4

Table 4 - Continued

**TAX EXEMPTIONS BY YEAR OF ENACTMENT
State/Local Tax Savings for 2007-09 Biennium (\$000,000)**

Year Adopted	Number	Current Savings	Year Adopted	Number	Current Savings
1974	4	\$1,633.0	1993	10	\$400.1
1975	10	273.6	1994	6	236.0
1976	11	39.5	1995	17	763.0
1977	6	2,257.9	1996	11	111.6
1979	14	390.8	1997	18	14.9
1980	12	27.7	1998	20	349.5
1981	6	33.3	1999	6	47.2
1982	3	98.0	2000	7	1,402.2
1983	16	236.8	2001	21	180.6
1984	7	515.4	2002	5	144.3
1985	8	137.4	2003	35	283.2
1986	6	7.6	2004	20	32.4
1987	14	29.8	2005	26	690.5
1988	3	0.7	2006	23	111.8
1989	21	384.0	2007	17	161.3
1991	9	51.0			
1992	4	6.6			

Chart 3

NUMBER OF EXEMPTION STATUTES BY YEAR OF ADOPTION
Current Total of 567 by Year of Original Adoption

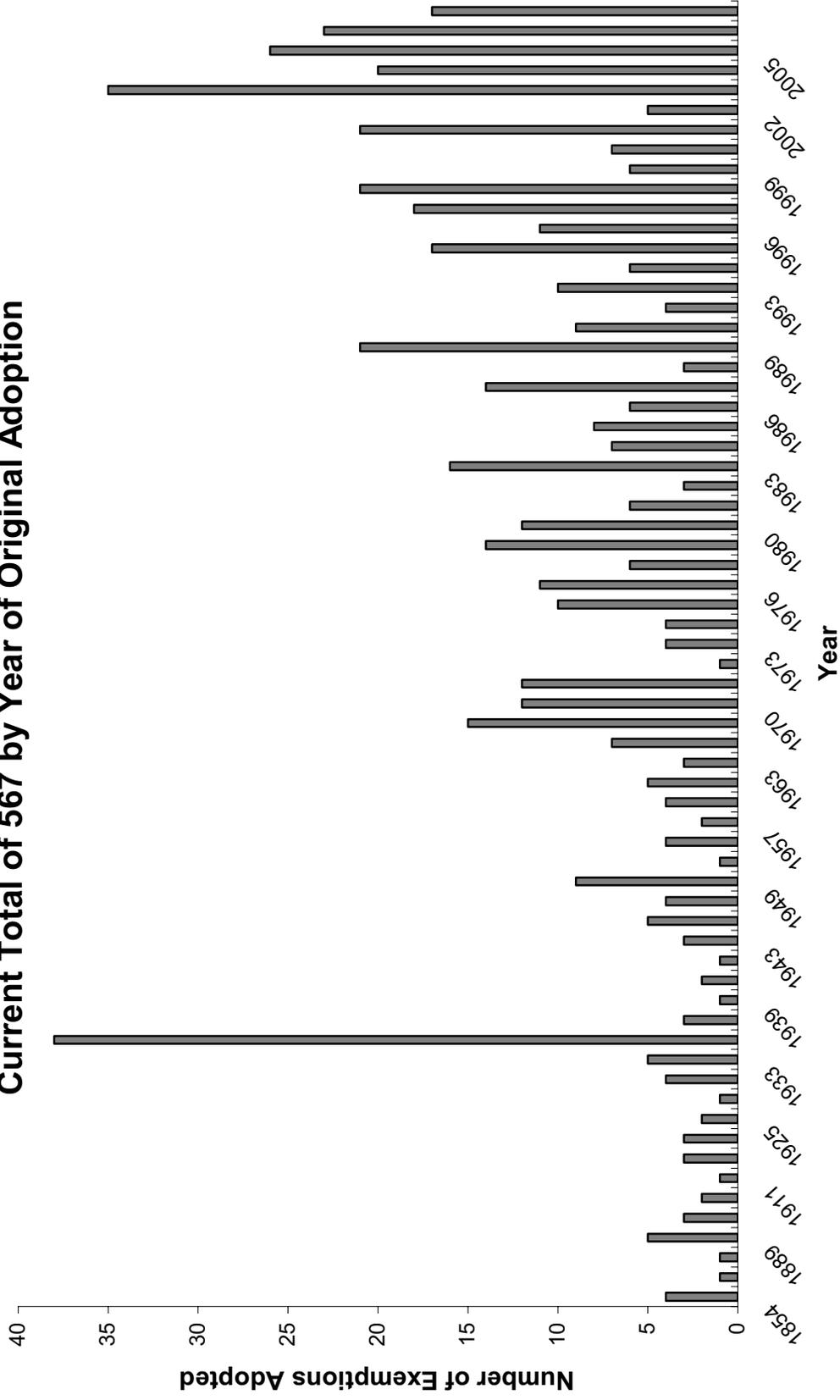
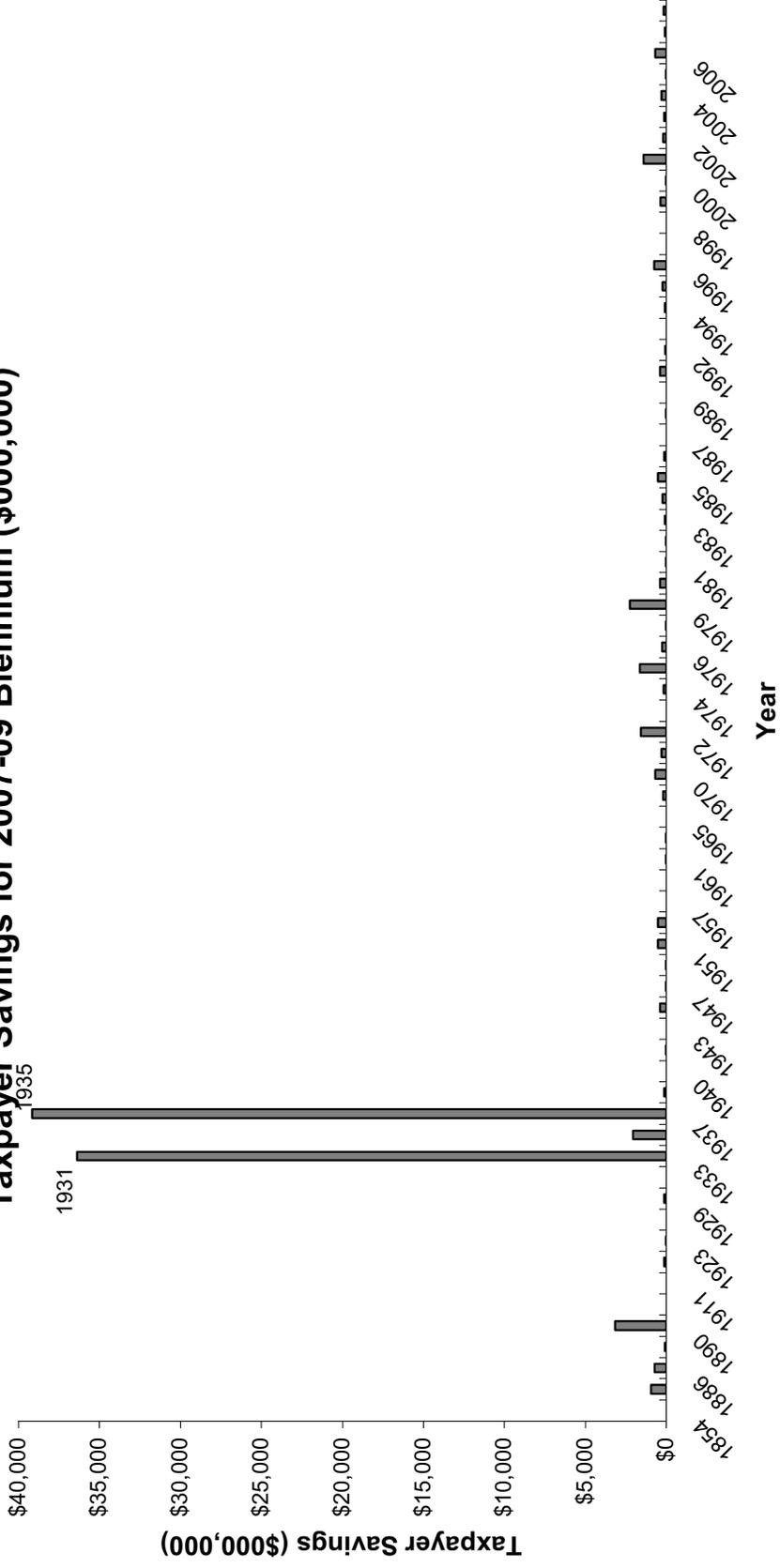


Chart 4

CURRENT VALUE OF TAX EXEMPTIONS BY YEAR OF ORIGINAL ADOPTION

Taxpayer Savings for 2007-09 Biennium (\$000,000)



Exemption History

Table 4 and Charts 3 and 4 trace the evolution of tax exemption statutes starting in Washington's territorial days. The current dollar value of exemptions in terms of taxpayer savings is largely attributable to exemptions enacted in the 1930s, when the present tax structure was formulated. Over 70 percent of the current taxpayer savings is represented by exemptions which date from the 1930s. The property tax exemption for intangibles was initially adopted in 1931 (with clarifications added in 1997). The 38 exemptions which define major excise tax bases contained in the Revenue Act of 1935 represent the most new exemption statutes in a specific year.

Relatively little took place in the field of tax exemptions during the three decades from the mid-1930s to the mid-1960s. Then activity increased as major new tax policies were instituted, including constitutional amendments allowing exemptions for senior citizens, current use assessment of farm and open space lands, limitation on the growth rate of property tax levies (not really an exemption), and the exemption of food for off-premises consumption - the first major exemption enacted by initiative of the voters.

Since the turn of the century there have been many new exemptions, averaging 21 new statutes every year, culminating in the 35 new exemptions added in 2003 - the second most new exemption statutes established in any one year. The dollar value of most newly enacted exemption statutes is comparatively small.

Some of the exemptions enacted during the 1990s can be attributed to the state expenditure limitation, Initiative 601, enacted by the voters in 1993. Under this limit on overall state spending, there was more incentive to return "excess" revenues to the taxpayers, since they could not be directly spent on current programs. One convenient method for returning such revenue to taxpayers was via new exemption programs.

Would Revenue Be Realized?

Readers will notice that following the taxpayer savings estimates presented for each of the 567 tax exemptions discussed in the body of this report there appears a question: "If the exemption were repealed, would the taxpayer savings be realized as increased revenues?" The responses are intended to help readers understand the degree to which the figures represent foregone state or local government revenues. Certainly, for many of the excise taxes there is a one-to-one relationship between the amount that taxpayers save and the amount that government gives up in potential revenues. Other exemptions might elicit a behavioral response by taxpayers which could restrict the potential revenue that might be realized. Some exemptions might require a considerable administrative effort and expense on the part of tax collection agencies (e.g., any attempt to tax intangibles, either as a property tax or under an income tax, would necessitate a

Table 5
WOULD REVENUE BE REALIZED?

**Potential Amount of State/Local Revenue
If Exemptions Were to be Repealed
2007-09 Biennium (\$000,000)**

Tax Source	Number of Exemptions	Current Taxpayer Savings	Degree to Which Revenue Might be Realized if Exemptions were Repealed			
			No	Unlikely	Possibly	
				Yes		
Property Tax	103	\$44,709.4	\$ 8,515.9	\$36,185.9	\$ 0	\$ 7.5
In Lieu Excises	39	80.0	1.4	48.6	0	29.9
B&O Tax	161	8,609.9	5,367.3	1,070.8	24.6	2,147.2
Other Business Taxes	73	860.3	543.5	157.0	10.3	149.5
Retail Sales/Use Tax	158	39,125.5	1,127.0	25,943.6	186.8	11,868.1
All Other Taxes	33	5,099.2	3,926.0	13.8	521.2	638.2
TOTAL	567	\$98,484.3	\$19,481.1	\$63,419.7	\$742.9	\$14,840.4

major budgetary commitment). The entire property tax exemption field presents a special case of exemption impacts, the result of which is to rule out these exemptions as a source of potential new revenue, as long as limitations exist on the amount of regular levy receipts for taxing districts. While removal of a property tax exemption would broaden the tax base, it would also produce a commensurate reduction in tax rates, so that taxing district revenues remain at the level required by the limitations. (To be sure, this would reduce property taxes for existing taxpayers, but it would not generate additional receipts for most taxing districts.) Finally, as indicated above, many exemptions exist because of constitutional reasons or simply to help define the intended tax base. Neither of these categories can be relied upon as the source of potential new governmental revenue.

The discussion of the potential revenue associated with the exemptions has been summarized in Table 5. Only \$7.5 million in property taxes would be anticipated if these exemptions were eliminated. The potential receipts associated with taxes in lieu of property tax totals almost \$30 million. The state B&O tax exemptions represent over \$2.1 billion in additional revenues, while the public utility tax and other business taxes imply about \$150 million in new revenue. By far the source with the largest revenue potential is the retail sales/use tax. In total, approximately \$11.9 billion might be produced if these exemptions were repealed. **Overall for all taxes considered in this study, the total taxpayer savings of \$98.5 billion for the 567 exemptions represents about \$14.8 billion of potential state or local government revenue.**

SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
PROPERTY TAX						
<u>Public Property</u>						
35.21.755	Public corporations	1,560	6,091	Government	No	1
84.36.010	Federal government	157,895	635,031	Government	No	2
84.36.010	State government	112,987	441,000	Government	No	2
84.36.010	County government	171,377	697,824	Government	No	3
84.36.010	Cities and towns	140,360	571,532	Government	No	3
84.36.010	Tribal property	535	1,758	Government	No	4
84.36.010	Public colleges & universities	43,916	171,367	Government	No	4
84.36.010	Public K-12 schools	158,859	638,906	Government	No	5
84.36.010	Port districts	29,172	113,396	Government	No	5
84.36.010	Fire districts	6,263	25,186	Government	No	6
84.36.010	Public utility districts	6,272	132,600	Government	No	6
84.36.010	Hospital districts	4,186	16,332	Government	No	7
84.36.010	Foreign consulates	39	153	Government	No	7
84.36.130	Airports, cities in other states	21	82	Government	No	8
84.36.135	Housing Finance Commission	0	0	Government	No	8
84.36.210	Right-of-way easements	0	0	Government	No	9
84.36.230	Interstate bridges	6,841	26,698	Government	No	9
84.36.451	Leaseholds of public property	-37,453	5,366	Tax base	No	10
84.36.605	Sale/leasebacks, R.T.A.	0	0	Government	No	10
<u>Nonprofit Organizations</u>						
84.36.020	Churches & parsonages	26,783	107,710	Nonprofit - C	No	11
84.36.030(1)	Nonsectarian organizations	6,358	25,570	Nonprofit - C	No	11
84.36.030(1)	Nonprofit merchandise sales	119	475	Nonprofit - C	No	12
84.36.030(2)	Church camps	902	3,628	Nonprofit - C	No	12
84.36.030(3)	Youth organizations	839	3,374	Nonprofit - C	No	13
84.36.030(5)	Red Cross	55	222	Nonprofit - H	No	13
84.36.030(6)	Student loan organizations	0	0	Nonprofit - O	No	14
84.36.032	Church offices	342	1,376	Nonprofit - C	No	14
84.36.035	Blood & tissue banks	521	2,096	Nonprofit - H	No	15
84.36.037	Public assembly halls	253	1,017	Nonprofit - O	No	15
84.36.040(1a)	Day care centers	799	3,214	Nonprofit - H	No	16
84.36.040(1b)	Nonprofit libraries	17	68	Nonprofit - A	No	16
84.36.040(1c)	Orphanages	80	324	Nonprofit - H	No	17
84.36.040(1d)	Nursing homes	1,380	5,550	Nonprofit - H	No	17
84.36.040(1e)	Nonprofit hospitals	22,022	88,583	Nonprofit - H	No	18
84.36.040(1f)	Dialysis facilities	245	984	Nonprofit - H	No	18
84.36.041	Homes for the aging	4,529	18,215	Nonprofit - H	No	19
84.36.042	Housing, develop. disabled	180	700	Nonprofit - H	No	19
84.36.043	Homeless shelters	1,002	4,027	Nonprofit - H	No	20
84.36.045	Medical research facilities	1,739	6,992	Nonprofit - H	No	20
84.36.046	Cancer treatment clinics	1,365	5,489	Nonprofit - H	No	21

**SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium**

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
84.36.047	Radio & TV transmission	0	0	Nonprofit - O	No	21
84.36.050(1)	Private colleges	13,820	55,580	Nonprofit - O	No	22
84.36.050(1)	Private K-12 schools	11,016	44,303	Nonprofit - O	No	22
84.36.050(2)	Educational foundations	76	306	Nonprofit - O	No	23
84.36.060(1a)	Art collections & museums	1,944	7,820	Nonprofit - A	No	23
84.36.060(1b)	Performing arts	1,349	5,424	Nonprofit - A	No	24
84.36.250	Water cooperatives	272	1,093	Nonprofit - O	No	24
84.36.260	Open space & park land	502	2,016	Nonprofit - O	No	25
84.36.350	Sheltered workshops	827	3,326	Nonprofit - H	No	25
84.36.480	Fair associations	37	148	Nonprofit - O	No	26
84.36.500	Farm land conservation futures	0	0	Nonprofit - O	No	26
84.36.550	Fund-raising for nonprofits	87	348	Nonprofit - O	No	27
84.36.560	Low-income rental housing	6,796	26,519	Nonprofit - H	No	27
84.36.570	Demonstration farms	2	8	Nonprofit - O	No	28
84.36.650	Fund-raising to support artists	2	9	Nonprofit - A	No	28

Private Property

84.14.020	Targeted public housing	1,031	4,145	Other business	No	29
84.26.070	Historic property	2,998	11,699	Individuals	No	29
84.33.040	Timber	0	0	Tax base	No	30
84.33.210	Forest land; spec. assess.	0	1,034	Other	Yes	30
84.36.010	2nd Narrows bridge	0	0	Bus. Incentive	No	31
84.36.015	Parcels valued at < \$500	134	521	Other	No	31
84.36.020	Cemeteries	2,932	11,791	Other	No	32
84.36.030(4)	Veterans organizations	267	1074	Other	No	32
84.36.060(1c)	Fire companies	2	10	Other	No	33
84.36.060(1d)	Humane societies	78	313	Other	No	33
84.36.255	Habitat/water quality improv.	19	72	Other	No	34
84.36.381	Senior citizens & disabled	34,270	166,773	Individuals	No	34
84.36.400	Home improvements	270	1,052	Individuals	No	35
84.36.487	Air pollution control facilities	376	1,467	Other business	No	35
84.36.635	Alcohol/biodiesel fuel	0	0	Bus. incentive	No	36
84.36.640	Wood biomass fuel	0	0	Bus. incentive	No	36
84.36.655	Aircraft facilities, port property	0	0	Bus. incentive	No	37
84.36.660	Sprinkler systems; nightclubs	0	0	Bus. Incentive	No	37
84.39.010	Widows/widowers of veterans	40	0	Individuals	Yes	38
84.56.025	Waiver, delinquency penalties	0	0	Individuals	No	38

Personal Property

84.36.070	Intangibles	7,431,658	28,754,287	Intangibles	Unlikely	39
84.36.079	Ships under construction	0	0	Bus. incentive	No	40
84.36.080(1)	Commercial vessels	1,835	15,677	Bus. incentive	No	40
84.36.080(2)	Historic vessels	58	234	Individuals	No	41
84.36.090	Other ships and vessels	-21,891	48,347	Individuals	No	41

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		State Tax	Local Tax			
84.36.105	Cargo containers	525	2,048	Bus. incentive	No	42
84.36.110(1)	Household goods	139,762	562,020	Individuals	No	42
84.36.110(2)	\$15,000 of personal property	631	2,260	Individuals	No	43
84.36.240	Soil & water conservation	5	19	Government	No	43
84.36.300	Goods in transit	0	0	Bus. incentive	No	44
84.36.470	Ag. products held for sale	19,028	76,530	Agriculture	No	44
84.36.477	Business inventories	170,000	661,000	Other business	No	45
84.36.590	Vitrification equipment	0	0	Bus. incentive	No	45
84.36.595	Vehicles, trailers, campers	260,561	1,047,942	Tax base	No	46
84.36.600	Custom computer software	2,499	9,751	Other business	No	46
84.36.630	Farm machinery (state levy)	2,099	0	Agriculture	No	47
84.36.645	Semiconductor materials	0	0	Bus. incentive	No	47
84.40.030(3)	Growing crops	386	1,554	Agriculture	No	48
84.40.037	Canned computer software	5,947	23,207	Other business	No	48
84.40.220	Nursery stock	267	1,071	Agriculture	No	49

Alternative Valuation/Deferral

84.33.140	Forest land, statutory values	14,732	57,487	Other business	No	49
84.33.140(13,14)	Forest land compensating tax	0	1,094	Other	Yes	50
84.34.060	Open space land, current use	5,088	19,854	Other	No	50
84.34.065	Farm lands, current use	32,870	128,260	Agriculture	No	51
84.34.108(6)	Open space compensating tax	741	2,847	Other	Yes	51
84.36.381(6)	Valuation freeze, sen. citizens	36,053	127,514	Individuals	No	52
84.38.030	Senior citizens tax deferral	1,710	0	Individuals	Yes	52
84.70.010	Destroyed property	104	371	Other	No	53

IN-LIEU OF PROPERTY TAX

Leasehold Excise Tax

35.21.755	Public historical sites	479	420	Government	Unlikely	53
82.29A.020(1)	Government manufacturing	1,719	1,507	Government	Unlikely	54
82.29A.020(1)	Easements, removing products	480	421	Other	Yes	54
82.29A.020(2)	Hanford leases; excl. of fees	8	8	Other business	Unlikely	55
82.29A.120(1)	Credit for excessive tax	184	161	Other business	Yes	55
82.29A.120(2)	Product leases; 33% credit	227	199	Agriculture	Yes	56
82.29A.130(3)	Subsidized housing	23,036	20,206	Government	Unlikely	56
82.29A.130(5)	Public employee housing	273	240	Government	Unlikely	57
82.29A.130(6-7)	Indian trust lands	727	638	Government	No	57
82.29A.130(8-9)	Leases < \$250/year or 30 days	4,545	3,987	Other business	Yes	58
82.29A.130(10)	Homes pending destruction	80	70	Other	Unlikely	58
82.29A.130(11)	Public works contracts	68	60	Government	Unlikely	59
82.29A.130(12)	Inmate employment programs	0	0	Government	No	59
82.29A.130(13)	Camps for disabled persons	338	296	Nonprofit - H	Yes	60
82.29A.130(14)	Professional baseball stadium	101	87	Bus. incentive	Yes	60

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RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
82.29A.130(15)	Professional football stadium	135	119	Bus. incentive	Yes	61
82.29A.130(16)	Public facilities districts	123	108	Bus. incentive	Yes	61
82.29A.130(17)	Historic property	84	73	Government	Yes	62
82.29A.130(18)	Clark County amphitheater	41	36	Bus. incentive	Yes	62
82.29A.132	2nd Narrows bridge	0	0	Bus. incentive	No	63
82.29A.134	Sale/leasebacks, R. T. A.	0	0	Government	No	63
82.29A.135	Gasohol production facilities	166	145	Bus. incentive	Yes	64
82.29A.136	Developments, > 3,000 lots	355	-426	Tax base	Yes	64
82.29A.137	Super-efficient airplane facilities	0	0	Bus. incentive	Yes	65
82.29A.138	Radio repeaters	5	5	Individuals	Yes	65

Vehicle Excise Taxes

82.44.010(2)	Excluded motor vehicles	0	364	Tax base	Unlikely	66
82.44.015	Ride-sharing vehicles	0	130	Other	Yes	66
82.48.100	Government aircraft	18	0	Government	No	67
82.48.100	Commercial aircraft	106	0	Commerce	No	67
82.48.100	Aircraft held for sale	12	0	Other business	Unlikely	68
82.48.100	Nonresident aircraft	4	0	Other business	Unlikely	68
82.49.020	Small boats	4,058	0	Individuals	Yes	69
82.50.520(1-4)	Travel trailers and campers	0	0	Individuals	No	69

Timber Excise Tax

84.33.075	Nonprofit youth organizations	0	0	Nonprofit - C	Yes	70
84.33.077	Credit, tax on public timber	0	0	Other	Yes	70
84.33.0775	Credit, salmon regulations	13,056	0	Other business	Yes	71
84.33.0776	Credit, Quinault tribal tax	0	0	Government	No	71
84.33.086	\$50 minimum timber tax	2	10	Other business	Yes	72
84.33.170	Christmas trees/cottonwoods	132	528	Agriculture	Yes	72

BUSINESS AND OCCUPATION TAX

Public Activities

82.04.311	Tobacco Settlement Authority	**	0	Government	Unlikely	73
82.04.395	Printing by schools	106	0	Government	Unlikely	73
82.04.397	Printing by local governments	24	0	Government	Unlikely	74
82.04.408	Housing Finance Commission	**	0	Government	Unlikely	74
82.04.415	Sand/gravel, local road const.	310	0	Government	Unlikely	75
82.04.418	Grants to local government	0	0	Government	Unlikely	75
82.04.419	Local govt. business income	21,035	0	Government	Unlikely	76
82.04.4201	Sales/leasebacks, R. T. A.	0	0	Government	No	76
82.04.4263	Life sciences discovery fund	**	0	Government	Unlikely	77
82.04.600	Printing by libraries	8	0	Government	Unlikely	77
82.04.615	Public development authorities	34	0	Government	Unlikely	78

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		State Tax	Local Tax			
<u>Business Activities</u>						
82.04.062	Precious metals and bullion	1,228	0	Other business	Yes	78
82.04.110	Aluminum master alloys	* *	0	Bus. incentive	Yes	79
82.04.120	Processing of seafood	4	0	Bus. incentive	Yes	79
82.04.120	Seed conditioning	406	0	Agriculture	Yes	80
82.04.120	Hay cubing	448	0	Agriculture	Yes	80
82.04.2403	Fish cleaning	22	0	Bus. incentive	Yes	81
82.04.255	Real estate commissions	40,403	0	Other business	Yes	81
82.04.280	Rental of real estate	98,117	0	Other business	No	82
82.04.310(1)	Public utilities	98,000	0	Tax base	No	82
82.04.310(2)	Sales of electricity for resale	93,700	0	Tax base	Unlikely	83
82.04.315	International banking facilities	1,117	0	Bus. incentive	Yes	83
82.04.317	Wholesale auto auctions	2,041	0	Other business	Yes	84
82.04.320	Insurance premiums	747,945	0	Tax base	No	84
82.04.322	Health maint. organizations	312,902	0	Tax base	No	85
82.04.330	Agricultural producers	61,964	0	Agriculture	Yes	85
82.04.330	Christmas tree producers	689	0	Agriculture	Yes	86
82.04.331	Wholesaling conditioned seed	1,747	0	Agriculture	Yes	86
82.04.332	Wholesaling of grain	6,200	0	Agriculture	Yes	87
82.04.334	Exclusion of standing timber	0	0	Other business	Unlikely	87
82.04.335	Agricultural fairs	808	0	Agriculture	Yes	88
82.04.337	Exported processed hops	749	0	Agriculture	Yes	88
82.04.340	Boxing & wrestling matches	45	0	Tax base	Unlikely	89
82.04.350	Horse racing	4,292	0	Tax base	Unlikely	89
82.04.360	Income of employees	2,571,730	0	Tax base	No	90
82.04.360	Life insurance employees	1,489	0	Other business	Yes	90
82.04.390	Real estate sales	847,412	0	Tax base	Unlikely	91
82.04.392	Income from trust accounts	2,383	0	Other business	Yes	91
82.04.394	On-site property mgmt.	19,448	0	Tax base	Yes	92
82.04.405	Credit unions; federal charters	7,117	0	Other business	No	92
82.04.405	Credit unions; state charters	46,523	0	Other business	Unlikely	93
82.04.416	2nd Narrows bridge	0	0	Bus. Incentive	Yes	93
82.04.421	Group discount purchases	* *	0	Bus. incentive	Yes	94
82.04.422(2)	Accommodation sales, autos	3,636	0	Tax base	Yes	94
82.04.423	Direct sellers	12,398	0	Other business	Yes	95
82.04.424	Sellers with limited connection	0	0	Other business	Unlikely	95
82.04.425	Accommodation sales	186	0	Tax base	Yes	96
82.04.426	Semiconductor microchips	0	0	Bus. incentive	Yes	96
82.04.4261	Small bus. innovation grants	0	0	Other business	Yes	97
82.04.4262	Technology transfer grants	30	0	Other business	Yes	97
82.04.4266	Manufacturing fruit/vegetables	9,541	0	Bus. incentive	Yes	98
82.04.4267	Parking & bus. improvement	172	0	Other business	Yes	98
82.04.4268	Manufacturing dairy products	7,009	0	Bus. incentive	Yes	99
82.04.4269	Manufacturing seafood products	7,409	0	Bus. incentive	Yes	99

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		State Tax	Local Tax			
82.04.601	Cigarette stamping discounts	11	0	Other business	Yes	100
82.04.610	Import/export shipments	140,858	0	Commerce	No	100
82.04.625	Custom farm services	111	0	Agriculture	Yes	101
82.32.045(4)	\$28,000 min. to file tax return	82,000	0	Other business	Yes	101
<u>Nonprofit Organizations</u>						
82.04.324	Blood, bone and tissue banks	1,918	0	Nonprofit - H	Yes	102
82.04.326	Organ procurement	**	0	Nonprofit - H	Yes	102
82.04.327	Adult family homes	748	0	Nonprofit - H	Yes	103
82.04.338	Services for Hop Commission	**	0	Agriculture	Yes	103
82.04.339	Day care by churches	2,908	0	Nonprofit - H	Yes	104
82.04.3395	Child care resource/referral	28	0	Nonprofit - H	Yes	104
82.04.355	Commuter ride-sharing	0	0	Other	Yes	105
82.04.363	Camps & conference centers	219	0	Nonprofit - C	Yes	105
82.04.3651	Nonprofit org. fund-raising	311	0	Nonprofit - O	Yes	106
82.04.367	Student loan organizations	**	0	Nonprofit - O	Yes	106
82.04.368	Credit and debt counseling	0	0	Nonprofit - O	Yes	107
82.04.370	Fraternal insurance	4,202	0	Other	Yes	107
82.04.380	Red Cross	**	0	Nonprofit - H	No	108
82.04.385	Sheltered workshops	1,884	0	Nonprofit - H	Yes	108
82.04.399	Academic transcripts	18	0	Nonprofit - O	Yes	109
82.04.4251	Promotion of tourism	453	0	Nonprofit - O	Yes	109
82.04.4264	Adult boarding homes	2,690	0	Nonprofit - H	Yes	110
82.04.4265	Comprehensive cancer centers	**	0	Nonprofit - H	Yes	110
<u>Deductions</u>						
82.04.280(6)	Radio and TV broadcasting	2,698	0	Commerce	No	111
82.04.298(2)	Grocery co-ops	**	0	Bus. incentive	Yes	111
82.04.333	Small timber harvesters	824	0	Other business	Yes	112
82.04.4271	Youth organization fees	798	0	Nonprofit - C	Yes	112
82.04.4272	Direct mail delivery charges	20	0	Other business	Yes	113
82.04.4281	Investments, nonfinancial firms	699,600	0	Tax base	Yes	113
82.04.4281	Dividends from subsidiaries	13,262	0	Tax base	Yes	114
82.04.4282	Membership dues and fees	1,626	0	Nonprofit - O	Unlikely	114
82.04.4282	Contributions and donations	8,116	0	Tax base	No	115
82.04.4282	Tuition fees	36,823	0	Nonprofit - O	Yes	115
82.04.4282	Trade shows	1,603	0	Nonprofit - O	Yes	116
82.04.4283	Cash discounts	40,000	0	Tax base	No	116
82.04.4284	Credit losses	11,681	0	Other business	Unlikely	117
82.04.4285	Motor fuel taxes	33,871	0	Tax base	Unlikely	117
82.04.4286	Constitutional deductions	1,297,400	0	Commerce	No	118
82.04.4287	Horticultural products	1,892	0	Agriculture	Yes	118
82.04.4289	Nursing homes	4,600	0	Nonprofit - H	Yes	119
82.04.4291	Intergovernmental charges	0	0	Government	Unlikely	119

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		State Tax	Local Tax			
82.04.4292	Interest on real estate loans	148,713	0	Other business	Yes	120
82.04.4293	Interest on govt. obligations	7,990	0	Government	Yes	120
82.04.4294	Interest on agricultural loans	* *	0	Agriculture	Yes	121
82.04.4295	Manuf. completed in Wash.	5,082	0	Bus. incentive	Yes	121
82.04.4296	Funeral home reimbursement	25	0	Other business	Yes	122
82.04.4297	Govt. grants to nonprofits	150,342	0	Nonprofit - H	Yes	122
82.04.4298	Condo maintenance fees	9,454	0	Other business	Yes	123
82.04.4311	Public & nonprofit hospitals	144,250	0	Nonprofit - H	Yes	123
82.04.432	Municipal sewer charges	3,082	0	Government	Yes	124
82.04.4322	Govt. grants, arts organizations	6,263	0	Nonprofit - A	Yes	124
82.04.4324	" manufactured items					
82.04.4326	" tuitions					
82.04.4327	" business income					
82.04.433	Fuel for commercial vessels	5,804	0	Other business	Unlikely	125
82.04.4331	Health insurance, med. claims	0	0	Tax base	No	125
82.04.4332	Foreign branch campuses	0	0	Nonprofit - O	Yes	126
82.04.4334	Sale of alternative fuel	141	0	Bus. incentive	Yes	126
82.04.4335	Sale of wood biomass fuel	0	0	Bus. incentive	Yes	127
82.04.4337	Adult boarding homes,Medicaid	4,644	0	Other business	Yes	127
82.04.4338	Auxiliary power, diesel trucks	3	0	Other business	Yes	128
82.04.4339	Salmon restoration grants	800	0	Other business	Yes	128
82.04.540(2)	Wages paid for clients	4,297	0	Tax base	Unlikely	129
82.04.620	Physician admin. of pres. drugs	2,000	0	Other business	Yes	129

Differential Tax Rates

82.04.240(2)	Semiconductor materials	0	0	Bus. incentive	Yes	130
82.04.2404	Semiconductor materials	2,453	0	Bus. incentive	Yes	130
82.04.250(1)	Retailing	43,734	0	Other business	Yes	131
82.04.250(3)	Certified aircraft repair	878	0	Bus. incentive	Yes	131
82.04.260(1a)	Manufacturers of flour and oil	5,827	0	Agriculture	Yes	132
82.04.260(1e,f)	Manuf. of alternative fuels	88	0	Bus. incentive	Yes	132
82.04.260(2)	Processors of dry peas	59	0	Agriculture	Yes	133
82.04.260(4)	Processors of meat	16,512	0	Agriculture	Yes	133
82.04.260(5)	Travel agents	17,259	0	Other business	Yes	134
82.04.260(6)	Charter and freight brokers	41,619	0	Bus. incentive	Yes	134
82.04.260(7)	Stevedoring	19,031	0	Bus. incentive	Yes	135
82.04.260(9)	Insurance agents	40,638	0	Other business	Yes	135
82.04.260(11)	Manuf. commercial airplanes	150,332	0	Bus. incentive	Yes	136
82.04.260(12)	Manuf. timber/wood products	27,000	0	Bus. incentive	Yes	136
82.04.260(13)	Services for salmon cannery	46	0	Bus. incentive	Yes	137
82.04.272	Resellers of prescription drugs	21,927	0	Bus. incentive	Yes	137
82.04.290(1)	International investment mgmt.	28,018	0	Bus. incentive	Yes	138
82.04.2905	Child care	1,401	0	Other business	Yes	138
82.04.2906	Chemical dependency	69	0	Other business	Yes	139
82.04.2907	Royalty income	24,584	0	Other business	Possibly	139

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82.04.2908	Adult boarding homes	19,665	0	Other business	Yes	140
82.04.2909	Aluminum smelting	0	0	Bus. incentive	Yes	140
82.04.294	Manuf. solar energy systems	722	0	Bus. incentive	Yes	141

Credits

82.04.427	Pollution control facilities	1,064	0	Other business	No	142
82.04.4333	Job training services	**	0	Bus. incentive	Yes	142
82.04.434	Testing and safety labs	**	0	Bus. incentive	Yes	143
82.04.440(2&3)	Multiple activities, instate	-546	0	Commerce	No	143
82.04.440(2&4)	Multiple activities, interstate	41,921	0	Commerce	No	144
82.04.4451	Small business credit	48,120	0	Other business	Yes	144
82.04.4452	R&D; high technology firms	51,626	0	Bus. Incentive	Yes	145
82.04.44525	International services	**	0	Bus. incentive	Yes	145
82.04.4461	Airplane pre-production costs	44,300	0	Bus. incentive	Yes	146
82.04.4463	Airplane manufacturing facilities	3,168	0	Bus. incentive	Yes	146
82.04.447	Nat. gas for DSI customers	0	0	Bus. incentive	Yes	147
82.04.448	Semiconductor manuf. jobs	0	0	Bus. incentive	Yes	147
82.04.4481	Aluminum smelter facilities	0	0	Bus. incentive	Yes	148
82.04.4482	Power for aluminum smelters	0	0	Bus. incentive	Yes	148
82.04.4483	Software in rural counties	61	0	Bus. incentive	Yes	149
82.04.4484	Help desk service, rural counties	558	0	Bus. incentive	Yes	149
82.04.4485	Hospital patient lifting devices	6,395	0	Bus. incentive	Yes	150
82.04.4486	Tax on carb. beverage syrup	12,211	0	Other business	Yes	150
82.04.4487	Airplane pre-production costs	982	0	Bus. incentive	Yes	151
82.04.4489	Motion picture contributions	7,000	0	Bus. incentive	Yes	151
82.04.449	Workforce training costs	161	0	Other business	Yes	152
82.62.030	New jobs in rural counties	6,186	0	Bus. incentive	Yes	152
82.70.020	Commute trip reduction	5,280	0	Other	Yes	153
82.73.030	Commercial area revitalization	2,650	0	Other	Yes	153

OTHER BUSINESS TAXES

Public Utility Tax

35.58.560	Transit deduction for Metro	1,110	0	Government	Yes	154
82.16.020(1d&e)	Urban transportation & vessels	15,019	0	Other business	Yes	154
82.16.040	\$2,000 monthly minimum	1,000	0	Other business	Yes	155
82.16.0421	Electrolyte processors	0	0	Bus. incentive	Yes	155
82.16.045	Credit, pollution control facilities	1,055	0	Other business	No	156
82.16.046	2nd Narrows bridge	0	0	Tax base	No	156
82.16.047	Ride-sharing & special needs	709	0	Other	Yes	157
82.16.0491	Credit, rural elec. contributions	600	0	Other business	Yes	157
82.16.0495	Credit, DSI customers	**	0	Bus. incentive	Yes	158
82.16.0497	Credit for billing discounts	11,000	0	Other business	Yes	158
82.16.0498	Power for aluminum smelters	0	0	Bus. incentive	Yes	159

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RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
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82.16.050(1)	Receipts from taxes	28,466	0	Tax base	No	159
82.16.050(2)	Sales for resale	5,272	0	Tax base	No	160
82.16.050(3)	Joint utility services	20,000	0	Tax base	No	160
82.16.050(4)	Cash discounts	418	0	Tax base	No	161
82.16.050(5)	Credit losses	3,782	0	Other business	Unlikely	161
82.16.050(6)	Constitutional exemptions	189,195	0	Commerce	No	162
82.16.050(6)	Interstate transport., instate	10,292	0	Commerce	Possibly	162
82.16.050(7)	Irrigation water	1,306	0	Agriculture	Yes	163
82.16.050(8)	Interstate transp., thru freight	31,801	0	Commerce	No	163
82.16.050(9)	Shipments to ports	15,034	0	Agriculture	Yes	164
82.16.050(10)	Farm products shipped to ports	179	0	Agriculture	Yes	164
82.16.050(11)	Exported/resold electric power	240,000	0	Tax base	No	165
82.16.050(12)	Water associations	650	0	Nonprofit - O	Yes	165
82.16.050(13)	Processing/disposing sewerage	13,331	0	Tax base	No	166
82.16.050(14)	Transit improvements	1,038	0	Government	Yes	166
82.16.053	Electric power, low-density	1,400	0	Other business	Yes	167
82.16.055	Cogeneration/renew. resources	300	0	Bus. incentive	Yes	167
82.16.130	Renewable energy resources	100	0	Bus. incentive	Yes	168
82.16.300	Hauling farm products, relatives	0	0	Agriculture	Yes	168
82.70.020	Credit, commute trip reduction	220	0	Other	Yes	169
82.73.030	Commercial are revitalization	0	0	Other	Yes	169

Insurance Premiums Tax

48.14.020	Title insurance	15,356	0	Tax base	Unlikely	170
48.14.020	Annuities	128,571	0	Tax base	Unlikely	170
48.14.020(3)	Ocean marine insurance	3,587	0	Bus. incentive	Yes	171
48.14.0201(6a)	Medicare receipts	40,122	0	Other business	Yes	171
48.14.0201(6b)	Dentistry	26,133	0	Other business	Yes	172
48.14.022	Health insurance, Wash. Pool	1,542	0	Other business	Yes	172
48.32.145	Insurance guarantee funds	13,089	0	Other business	Yes	173
48.36A.240	Fraternal benefit societies	5,604	0	Nonprofit - C	Yes	173

Parimutuel Tax

67.16.105(1)	Nonprofit horse races	18	0	Other business	Yes	174
67.16.105(2)	Differential parimutuel tax rates	0	0	Other business	No	174

Refuse Collection Tax

82.18.050	Federal government	562	0	Government	No	175
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SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
<u>Litter Tax</u>						
82.19.050(1)	Products shipped out of state	2,612	0	Tax base	Yes	175
82.19.050(2)	Agricultural products	1,854	0	Agriculture	Unlikely	176
82.19.050(3)	Grocery co-ops	**	0	Bus. Incentive	Yes	176
82.19.050(4)	Food & beverages on-premises	1,310	0	Tax base	Yes	177
82.19.050(5)	Caterers	75	0	Other business	Yes	177
<u>Petroleum Products Tax</u>						
82.23A.010(1)	Exclusion of crude oil	0	0	Tax base	No	178
82.23A.010(1)	Exclusion of liquified gasses	0	0	Other business	No	178
82.23A.030(1)	Successive uses of petroleum	0	0	Tax base	No	179
82.23A.030(2)	Domestic uses of petroleum	0	0	Individuals	No	179
82.23A.030(3)	Constitutional exemptions	0	0	Commerce	No	180
82.23A.030(4)	Petroleum used prior to 7/1/89	0	0	Tax base	No	180
82.23A.030(5)	Fuel used in processing	0	0	Tax base	No	181
82.23A.030(6)	Exported petroleum products	0	0	Tax base	No	181
82.23A.030(7)	Packaged petroleum products	0	0	Tax base	No	182
82.23A.040(1)	Petroleum in vehicle fuel tanks	0	0	Tax base	No	182
82.23A.040(2)	Credit, taxes in other states	0	0	Commerce	No	183
<u>Oil Spill Tax</u>						
82.23B.030	Secondary transportation	0	0	Tax base	Unlikely	183
82.23B.040	Exported petroleum products	7,461	0	Tax base	Unlikely	184
82.23B.045	Credit, nonfuel uses	603	0	Tax base	No	184
<u>Enhanced Food Fish Tax</u>						
82.27.010	Tuna, mackerel & jack	678	0	Other business	Yes	185
82.27.020(2)	Deduction, one-half of fish tax	0	0	Tax base	No	185
82.27.020(4)	Differential fish tax rates	5,020	0	Other business	Yes	186
82.27.030(1&3)	Imported frozen/packaged fish	0	0	Tax base	No	186
82.27.030(2)	Commercial fish & shellfish	11,976	0	Tax base	No	187
82.27.040	Credit, taxes in other states	852	0	Tax base	No	187
<u>Soft Drinks Syrup Tax</u>						
82.64.030(1)	Successive possession	0	0	Tax base	No	188
82.64.030(2)	Exported syrup	0	0	Tax base	No	188
82.64.030(3)	Syrup that is resold	0	0	Tax base	No	189
82.64.030(4)	Syrup used prior to 6/1/91	0	0	Tax base	No	189
82.64.040	Credit, taxes in other states	0	0	Tax base	No	190

**SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium**

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
RETAIL SALES AND USE TAX						
<u>Farm Products</u>						
82.04.050(3e)	Farm horticultural services	10,722	2,474	Agriculture	Yes	191
82.04.050(9)	Feed and seed	88,898	20,515	Agriculture	Unlikely	191
82.04.050(9)	Fertilizer and chemical spray	86,448	19,949	Agriculture	Unlikely	192
82.04.050(9)	Pollination agents	24	6	Agriculture	Yes	192
82.04.213	Christmas tree production	598	186	Agriculture	Yes	193
82.08.0257	Farm auction sales	818	188	Agriculture	Yes	193
82.08.0259	Breeding livestock and cattle	10,576	2,928	Agriculture	Yes	194
82.08.0267	Poultry used in production	4,650	1,288	Agriculture	Yes	194
82.08.0272	Semen, artificial insemination	706	164	Agriculture	Yes	195
82.08.02745	Farm-worker housing	1,285	375	Agriculture	Yes	195
82.08.0277	Pollen	46	12	Agriculture	Yes	196
82.08.0288	Leased irrigation equipment	6,816	1,887	Agriculture	Yes	196
82.08.0294	Fish feed for aquaculture	105	32	Agriculture	Yes	197
82.08.0296	Livestock feed	170	40	Agriculture	Yes	197
82.08.0311	Horticultural packing materials	501	116	Agriculture	Yes	198
82.08.841	Field burning equipment	5,200	1,200	Agriculture	Yes	198
82.08.855	Parts for farm machinery	13,277	3,881	Agriculture	Yes	199
82.08.865	Diesel fuel used on farms	8,132	2,377	Agriculture	Yes	199
82.08.880	Medicine for livestock	3,800	760	Agriculture	Yes	200
82.08.890	Livestock nutrient management	1,040	240	Agriculture	Yes	200
82.08.900	Anaerobic digesters for dairies	130	40	Agriculture	Yes	201
82.08.910	Gas to heat chicken barns	1,436	420	Agriculture	Yes	201
82.08.920	Bedding materials for chickens	360	104	Agriculture	Yes	202
<u>Producer Goods</u>						
82.04.050(1d)	Ferrosilicon	0	0	Bus. incentive	Yes	202
82.08.02565	Manufacturing machinery	422,353	130,929	Bus. incentive	Yes	203
82.08.02566	Prototypes of aircraft parts	1,075	333	Bus. incentive	Yes	203
82.08.02567	Elect. generating; renewables	9,750	2,850	Bus. Incentive	Yes	204
82.08.02568	Anodes/cathodes, aluminum	9,679	3,001	Bus. incentive	Yes	204
82.08.026	Natural & manufactured gas	54,783	-74,552	Tax base	No	205
82.08.0274	Form lumber	0	0	Other business	Yes	205
82.08.0298	Fishing boat fuel	3,457	1,080	Other business	Yes	206
82.08.0315	Film & video production equip.	3,990	1,228	Bus. incentive	Yes	206
82.08.705	Electronically transmitted data	2,653	858	Other business	Yes	207
82.08.805	Purchases, aluminum smelters	0	0	Bus. incentive	Yes	207
82.08.806	Computers, printers/publishers	1,146	358	Bus. incentive	Yes	208
82.08.810	Air pollution control facilities	**	**	Bus. Incentive	Yes	208
82.08.811	Coal, thermal generating plants	**	**	Bus. incentive	Yes	209
82.08.820	Warehouses, tax remittance	6,039	0	Bus. incentive	Yes	209
82.08.955	Distribution of biodiesel fuels	51	15	Bus. incentive	Yes	210

SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
82.08.960	Distrib. of wood biomass fuel	0	0	Bus. incentive	Yes	210
82.08.965	Semiconductor materials	0	0	Bus. incentive	Yes	211
82.08.9651	Semiconductors, gases/chem.	1,943	607	Bus. incentive	Yes	211
82.08.970	Semiconductors, gases/chem.	0	0	Bus. incentive	Yes	212
82.08.975	Airplane computer costs	7,392	2,292	Bus. incentive	Yes	212
82.08.980	Airplane facilities, port property	0	0	Bus. incentive	Yes	213
82.08.981	Computers for airplane design	176	55	Bus. incentive	Yes	213
82.12.010(1)	Use tax on rental value	3,938	1,211	Other business	Yes	214
82.12.0263	Extracted fuel	10,571	3,301	Other business	Yes	214
82.12.0265	Bailed equipment for R&D	6,854	2,140	Other business	Yes	215
82.12.0272	Display items for trade shows	3,531	1,087	Other business	Yes	215
82.12.800	Boats used by manuf./dealers	875	273	Other business	Yes	216

Interstate Sales

82.08.0254	Constitutionally exempt sales	686,580	211,255	Commerce	No	217
82.08.0255(2)	Special fuel	0	0	Commerce	No	217
82.08.0261	Items used in interstate comm.	338	104	Commerce	Unlikely	218
82.08.0262	Interstate transportation equip.	193,245	59,460	Commerce	Unlikely	218
82.08.0263	Interstate commerce vehicles	105,172	27,507	Commerce	Unlikely	219
82.08.0264	Vehicles sold to nonresidents	61,214	18,836	Individuals	No	219
82.08.0265	Repaired items for nonresidents	9,945	3,060	Individuals	No	220
82.08.0266	Boats sold to nonresidents	10,004	3,123	Individuals	Unlikely	220
82.08.0268	Farm equip. for nonresidents	6,858	2,110	Agriculture	Unlikely	221
82.08.0269	Alaska & Hawaii purchases	0	0	Individuals	No	221
82.08.0273	Sales to qualified nonresidents	142,825	43,946	Individuals	Possibly	222
82.08.0279	Nonresidents' rental cars	243	74	Commerce	Unlikely	222
82.08.050(7)	Sellers with limited connection	0	0	Other business	Unlikely	223
82.08.700	Boats, in-state use permit	34	11	Individuals	Yes	223
82.08.850	Exported conifer seedings	80	24	Agriculture	Yes	224
82.08.990	Import/export shipments	0	0	Commerce	No	224
82.12.0251	Nonresidents' pers. property	18,963,593	5,834,952	Individuals	Unlikely	225
82.12.0254	Vehicles used in commerce	65,951	17,249	Commerce	No	225
82.12.0266	Vehicles acquired in military	5,092	1,567	Individuals	Yes	226

Public Activities

82.04.050(8)	Labor, local road construction	210,000	66,000	Government	Yes	227
82.04.050(10)	Labor, Federal govt. structures	8,307	2,556	Government	No	227
82.04.050(11)	RTA maintenance agreements	**	**	Government	Yes	228
82.08.02525	Copies of public records	220	67	Individuals	Yes	228
82.08.0255(1a,c)	Fuel for urban transit	5,384	1,680	Government	Yes	229
82.08.0256	Public utility property	0	0	Government	Yes	229
82.08.02569	Gravitational wave observatory	0	0	Government	No	230
82.08.0271	Watershed & flood protection	34	10	Government	Yes	230
82.08.0275	Sand/gravel, local road const.	4,017	1,254	Government	Yes	231

SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
82.08.0278	Annexation sales	0	0	Government	Yes	231
82.08.0285	Ferry boats	12,826	4,005	Government	Yes	232
82.08.0287	Ride-sharing vehicles	1,352	405	Other	Yes	232
82.08.02875	Football stadium parking	**	**	Government	Yes	233
82.08.02915	Housing for youth in crisis	119	37	Nonprofit - H	Yes	233
82.08.0299	Lodging for homeless persons	22	20	Individuals	Yes	234
82.08.0316	Cigarettes, tribal contracts	17,000	5,200	Government	No	234
82.08.834	Sale/leasebacks for RTA	0	0	Government	No	235
82.08.870	Motorcycles, rider training	6	2	Government	Yes	235
82.08.995	Public development authorities	2	0	Government	Yes	236
82.12.02595	Donations to nonprofits/govt.	924	289	Nonprofit - O	Yes	236
82.12.0264	Driver training vehicles	404	118	Government	Yes	237
82.12.0284	Computers donated to schools	140	44	Government	Yes	237
<u>Health-Related Purchases</u>						
82.04.050(2a)	Hospital laundry service	2,812	878	Nonprofit - H	Yes	238
82.08.02795	Free public hospitals	**	**	Other	Yes	238
82.08.02805	Blood and tissue banks	453	142	Nonprofit - H	Yes	239
82.08.02806	Human body parts	699	215	Other	Yes	239
82.08.02807	Organ procurement	**	**	Nonprofit - H	Yes	240
82.08.0281	Prescription drugs	612,912	188,588	Individuals	Yes	240
82.08.0283	Medical devices, oxygen	155,839	47,951	Individuals	Yes	241
82.08.803	Nebulizers	40	12	Individuals	Unlikely	241
82.08.804	Ostomic items	233	73	Individuals	Unlikely	242
82.08.808	Comprehensive cancer centers	**	**	Nonprofit - H	Yes	242
82.08.925	Dietary supplements	7,604	2,340	Individuals	Unlikely	243
82.08.935	Drug delivery systems	103	32	Individuals	Unlikely	243
82.08.940	Over-the-counter drugs	40,861	12,573	Individuals	Unlikely	244
82.08.945	Kidney dialysis equipment	0	0	Other business	Unlikely	244
82.08.985	Insulin	1,899	593	Individuals	Unlikely	245
<u>Other Sales/Use Tax Exemptions</u>						
82.04.050	Personal & prof. services	3,942,356	1,230,622	Services	Yes	246
82.04.050(2a)	Self-service laundries	8,835	2,758	Individuals	Yes	247
82.04.050(2d)	Janitorial services	12,513	3,906	Services	Yes	247
82.04.050(3e)	Tree trimming, power lines	6,519	2,419	Tax base	Yes	248
82.04.050(6)	Custom computer software	189,043	58,167	Services	Yes	248
82.04.062	Precious metals & bullion	12,226	3,762	Other business	Yes	249
82.08.010(1)	Trade-ins	314,946	96,907	Individuals	Yes	249
82.08.0251	Casual sales	10,360	3,235	Individuals	Unlikely	250
82.08.0253	Newspapers	32,231	10,066	Individuals	Yes	250
82.08.02535	Fund-raising sales, magazines	717	224	Nonprofit - O	Yes	251
82.08.02537	Academic transcripts	62	20	Individuals	Yes	251
82.08.0255(1d)	Motor vehicle and special fuel	968,060	302,333	Individuals	Yes	252

SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
82.08.02573	Fund-raising, nonprofit org.	1,388	434	Nonprofit - O	Yes	252
82.08.0258	Red Cross	**	**	Nonprofit - H	No	253
82.08.0282	Returnable containers	0	0	Other business	Yes	253
82.08.0289	Local home telephone service	76,000	24,000	Individuals	Yes	254
82.08.0291	Youth recreation/phys. fitness	11,017	3,392	Nonprofit - C	Yes	254
82.08.0293	Food and food ingredients	1,708,697	525,752	Individuals	Yes	255
82.08.0297	Food stamp purchases	4,565	1,405	Individuals	Yes	255
82.08.031	Arts & cultural organizations	2,910	922	Nonprofit - A	Yes	256
82.08.032	Used park-model trailers	477	114	Individuals	No	256
82.08.033	Used mobile homes	33,010	7,920	Individuals	No	257
82.08.034	Used floating homes	257	62	Individuals	No	257
82.08.036	Core deposits & tire fees	514	161	Tax base	No	258
82.08.807	Direct mail delivery charges	292	90	Other business	Yes	258
82.08.809	Alternative fuel vehicles	935	289	Other	Yes	259
82.08.813	Hybrid technology vehicles	5,950	1,663	Other	Yes	259
82.08.815	Alt. power for diesel trucks	0	0	Bus. Incentive	Yes	260
82.08.825	Diesel trucks/receive alt. power	0	0	Bus. Incentive	Yes	260
82.08.830	Nonprofit camps/conf. centers	302	94	Nonprofit - C	Yes	261
82.08.832	Gun safes	159	49	Individuals	Yes	261
82.08.835	Solar water heating equipment	26	8	Bus. Incentive	Yes	262
82.08.950	Electricity and steam	0	0	Tax base	No	262
82.12.860	Credit unions - conversion	353	109	Other business	Yes	263
82.14.410	Local sales tax cap for lodging	0	6,367	Other business	Yes	263
82.14.430	Local regional transp., vehicles	0	0	Tax base	Yes	264
82.14.450(3)	Local public safety tax; vehicles	0	4,009	Bus. Incentive	Yes	264

Deferrals & Credits

36.100.090	Baseball stadium deferral	-4,946	-1,598	Bus. Incentive	No	265
36.102.070	Football stadium deferral	-5,512	-1,950	Bus. Incentive	No	265
47.46.060	2nd Narrows bridge	9,281	2,899	Bus. Incentive	No	266
82.08.037	Credit for bad debts	74,997	21,922	Other business	Unlikely	266
82.12.035	Credit, tax paid to other states	262,826	80,870	Tax base	Unlikely	267
82.32.065	Vehicles under warranty	289	93	Other business	Unlikely	267
82.32.580	Museum for historic autos	5,276	1,647	Nonprofit - A	Yes	268
82.32.760(1,b)	Sales tax sourcing costs	11,752	0	Other business	Yes	268
82.34.050(2)	Pollution control credit	101	0	Other business	Unlikely	269
82.60.040	Rural county deferral	40,032	12,410	Bus. incentive	Yes	269
82.63.030	High technology deferral	102,924	31,906	Bus. incentive	Yes	270
82.66.040	Horse race track deferral	-822	-214	Bus. incentive	No	270
82.74.030	Fruit/vegetable processing	11,616	3,396	Bus. Incentive	Yes	271
82.75.030	Biotechnology investments	3,335	1,034	Bus. Incentive	Yes	271

**SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium**

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
OTHER TAXES						
<u>Brokered Natural Gas Tax</u>						
82.12.022(3)	Gas not delivered via pipeline	0	0	Tax base	No	272
82.12.022(4)	Gas subject to public utility tax	138,720	0	Tax base	No	272
82.12.022(5)	Gas for aluminum smelters	0	0	Bus. incentive	Yes	273
82.12.022(6)	Credit for other states' taxes	0	0	Commerce	Unlikely	273
82.12.024	Deferral for DSI industries	0	0	Bus. incentive	Yes	274
<u>Cigarette/Tobacco Taxes</u>						
82.24.260(1c)	Cigarette allotment for Tribes	26,737	0	Government	No	274
82.24.290	Cigarettes, military personnel	30,346	0	Government	No	275
82.24.295(1)	Cigarettes, tribal contracts	126,000	0	Government	No	275
82.26.040	Tobacco products; constitution	2,600	0	Government	No	276
82.26.110	Tobacco products; out of state	6,501	0	Government	Unlikely	276
<u>Fuel Taxes</u>						
82.36.029	Handling losses	0	0	Other business	Yes	277
82.36.230	Imported & exported fuel	2,017,316	0	Commerce	No	277
82.36.230	Fuel sold to the military	307	0	Government	No	278
82.36.245	Fuel sold to foreign govts.	8	0	Government	Unlikely	278
82.36.275	Fuel used in urban transp.	918	0	Government	Yes	279
82.36.280	Refunds, nonhighway use	1,493	0	Tax base	No	279
82.36.285	Special needs transportation	424	0	Nonprofit - H	Yes	280
82.36.300	Refunds, exported fuel	2,560	0	Commerce	No	280
82.36.305	Marine uses of fuel	767	0	Tax base	No	281
82.36.370	Lost or destroyed fuel	0	0	Other business	Unlikely	281
82.38.080	Special fuel tax exemptions	1,417,148	0	Other	No	282
82.42.020	Crop dusting	0	0	Agriculture	Yes	282
82.42.020	Emergency air transportation	133	0	Other	Yes	283
82.42.030	Exported & commercial uses	109,217	0	Commerce	No	283
82.42.070	Aircraft fuel sold to U.S. govt.	45,906	0	Government	No	284
<u>Liquor Taxes</u>						
66.20.010(7)	Sales of liquor to the military	6,903	0	Government	No	284
66.24.290(3b)	Beer tax, microbrewers	7,301	0	Bus. incentive	Yes	285
<u>Real Estate Excise Tax</u>						
82.45.010	REET exemptions	382,003	137,281	Tax base	Possibly	285
82.45.190	2nd Narrows bridge	0	0	Tax base	No	286
82.45.195	Standing timber	1,322	609	Other business	Possibly	286

SUMMARY LISTING OF TAX PREFERENCES
Taxpayer Savings for 2007-09 Biennium

RCW	Brief Description	Taxpayer Savings (\$000)		Category	Revenue Realized?	Page
		State Tax	Local Tax			
<u>Estate Tax</u>						
83.100.020(13)	Estate tax threshold	629,089	0	Individuals	Yes	287
83.100.046	Farm property	300	0	Agriculture	Yes	287
83.100.047	Marital deduction	7,320	0	Tax base	Unlikely	288

NOTES:

0 indicates zero, minimal or indeterminate fiscal impact.

* * data cannot be disclosed due to insufficient number of taxpayers.

An Excel spreadsheet on the Department's webpage contains estimates of the savings to taxpayers for both state and local taxes for each of the four years covered by this report.

PROPERTY TAXES

NOTE CONCERNING PROPERTY TAX EXEMPTION IMPACTS

The estimates in this report reflect savings to taxpayers as a result of the exemptions. Because the state is projected to be at the maximum levy allowed during the forecast period, there would be no additional revenue accruing to the state general fund resulting from the broader tax base, if property tax exemptions were eliminated. Similarly, many local taxing districts are at their maximum levies and repeal would result in no additional property tax revenue for many of these districts. Nonetheless, repeal of exemption statutes would result in a broader tax base, and thus lower tax rates for other taxpayers.

PROPERTY TAX EXEMPTIONS - PUBLIC PROPERTY

35.21.755 PUBLIC CORPORATIONS
35.82.210
81.112.320

Description: Property owned by municipalities is exempt from property tax under RCW 84.36.010. However, RCW 35.21.755 provides that public corporations, commissions or authorities are liable for an in-lieu tax equal to what the property tax would be if the property was held in private ownership. This statute exempts from the in-lieu tax property that: (1) is located in a special review district established prior to January 1, 1976 or listed on a federal or state register of historical sites prior to January 1, 1987; (2) is used primarily for low income housing; (3) is used as a convention center, performing arts center, public assembly hall or meeting place, public esplanade, street, public way, public open space, park, public utility corridor or view corridor; (4) is considered blighted property acquired for remediation purposes; or (5) is used for transit purposes by a regional transit authority.

Purpose: The exemption for special review districts provides tax treatment comparable to that available at the federal level and encourages owners to retain historical property. The exemptions for low income housing, convention centers, performing arts centers, etc. reflect the municipal ownership and operation of the facilities and supports the social benefits these community resources provide.

Category/Year Enacted: Government. 1974. Originally limited to historic property; expanded several times in subsequent years.

Primary Beneficiaries: Beneficiaries include public housing authorities across the state, the Pike Place Market PDA, the Seattle Chinatown PDA, the Meydenbauer Convention Center in Bellevue, the Thea Foss Esplanade in Tacoma, and property of the Regional Transit Authority (Sound Transit).

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 761	\$ 799	\$ 844	\$ 871
Local levies	\$ 2,948	\$ 3,143	\$ 3,371	\$ 3,539

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.010 FEDERAL GOVERNMENT

Description: Real and personal property owned by the United States government is exempt from property taxation.

Purpose: Property of the federal government is exempt under the Washington Constitution, except to the extent that Congress specifically allows such taxation, which it has rarely done. The federal government does make certain payments in lieu of property taxes, e.g., for federal forest lands.

Category/Year Enacted: Government. 1854

Primary Beneficiaries: The U.S. government and its agencies and instrumentalities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 76,184	\$ 81,711	\$ 86,233	\$ 89,181
Local levies	\$304,053	\$330,978	\$354,462	\$372,186

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 STATE GOVERNMENT

Description: Real and personal property owned by the state is exempt from property taxation.

Purpose: Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: The state of Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 55,115	\$ 57,872	\$ 61,071	\$ 63,059
Local levies	\$212,800	\$228,200	\$244,400	\$256,200

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

PROPERTY TAXES

84.36.010 COUNTY GOVERNMENT

Description: Real and personal property owned by counties is exempt from property taxation.

Purpose: Property of county government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: The 39 counties in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 83,718	\$ 87,659	\$ 92,510	\$ 95,673
Local levies	\$334,119	\$363,705	\$389,513	\$408,988

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 CITIES AND TOWNS

Description: Real and personal property owned by municipalities is exempt from property taxation.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: The 281 cities and towns in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 68,566	\$ 71,794	\$ 75,767	\$ 78,358
Local levies	\$273,650	\$297,882	\$319,019	\$334,969

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

PROPERTY TAXES

84.36.010 TRIBAL PROPERTY

Description: Property belonging to any federally recognized Indian tribe is exempt from property tax, if the property is used exclusively for essential government services as defined in RCW 43.06.455.

Purpose: This statute is directed toward tribal owned property which is located off of the tribe's reservation. The purpose is to treat all tribes alike and to treat all property used for government services in the same manner. The governmental facilities of most tribes are sited on tribal lands which are exempt from property tax, just as the land owned by local governments is exempt. However, at least one tribe has little land held in trust and must therefore purchase non-tribal land for governmental facilities.

Category/Year Enacted: Government. 2004

Primary Beneficiaries: Indian tribes whose governmental services utilize facilities on non-tribal land.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 263	\$ 272	\$ 283	\$ 293
Local levies	\$ 863	\$ 895	\$ 928	\$ 962

*Note: this impact addresses only the tribal land that is located off of the reservation.

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

84.36.010 PUBLIC SCHOOLS: COLLEGES AND UNIVERSITIES

84.36.050(2)

Description: Real and personal property owned by the state's public colleges and universities is exempt from property taxation. In addition, property leased to an institution of higher education by a nonprofit foundation established for the exclusive support of the institution is exempt.

Purpose: Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889; leased property by educational foundations added in 2001.

Primary Beneficiaries: Public colleges and universities, including the six four-year institutions, 29 community colleges and six vocational-technical institutes and their branch campuses.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 21,422	\$ 22,494	\$ 23,737	\$ 24,510
Local levies	\$ 82,928	\$ 88,439	\$ 94,849	\$ 99,591

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

No - taxation is prohibited by the State Constitution.

PROPERTY TAXES

84.36.010 PUBLIC SCHOOLS: K - 12

Description: Real and personal property owned by school districts is exempt from property taxation.

Purpose: Property of school districts is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1889

Primary Beneficiaries: Approximately 2,100 campuses of the 295 public school districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 76,649	\$ 82,210	\$ 86,759	\$ 89,726
Local levies	\$305,909	\$332,997	\$356,626	\$374,458

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 PORT DISTRICTS

Description: Real and personal property owned by public port districts is exempt from property taxation.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1911

Primary Beneficiaries: The 76 public port districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 14,401	\$ 14,771	\$ 15,551	\$ 16,224
Local levies	\$ 55,746	\$ 57,650	\$ 61,665	\$ 65,398

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

PROPERTY TAXES

84.36.010 FIRE DISTRICTS

Description: Real and personal property owned by fire districts is exempt from property taxation.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1933

Primary Beneficiaries: Approx. 390 fire protection districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,022	\$ 3,241	\$ 3,420	\$ 3,537
Local levies	\$ 12,059	\$ 13,127	\$ 14,059	\$ 14,761

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 PUBLIC UTILITY DISTRICTS

Description: Real and personal property owned by public utility districts (PUDs) is exempt from property taxation. However, public utility districts pay a privilege tax in lieu of property tax based on the electricity they generate and distribute or based on the water and/or sewer services they provide.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1931

Primary Beneficiaries: 28 PUDs statewide. Of the 23 that generate and/or distribute electricity, 15 also provide water and/or sewer services. The remaining 5 PUDs provide water and/or sewer services but do not generate or distribute electricity.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,098	\$ 3,174	\$ 3,375	\$ 3,011
Local levies	\$ 64,050	\$ 68,550	\$ 73,933	\$ 77,448

*net of public utility privilege tax which is in lieu of property tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

PROPERTY TAXES

84.36.010 HOSPITAL DISTRICTS

84.36.040(2)

Description: Real and personal property owned by public hospital districts is exempt from property taxation. Also, exemption is provided for property that is leased to and used by a hospital district for hospital purposes, as long as the benefit of the exemption inures to the hospital.

Purpose: Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Category/Year Enacted: Government. 1945; RCW 84.36.040(2) covering property leased to public hospitals was adopted in 2001.

Primary Beneficiaries: Approximately 40 hospitals operated by public hospital districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 2,042	\$ 2,144	\$ 2,262	\$ 2,336
Local levies	\$ 7,903	\$ 8,429	\$ 9,039	\$ 9,491

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - taxation is prohibited by the State Constitution.

84.36.010 FOREIGN CONSULATES

Description: Property that belongs to a foreign national government or an international commission is exempt from property taxation, if it is used exclusively as an office or residence for a consul or other official representative of that nation and the consul or representative is a citizen of that nation.

Purpose: This follows the principle of reciprocity, whereby a foreign nation will not tax the property of a U.S. consulate if it is used and maintained by U.S. nationals.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: Four foreign governments and four international commissions or councils benefit from this exemption. All are located in King County.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 19	\$ 20	\$ 21	\$ 22
Local levies	\$ 74	\$ 79	\$ 85	\$ 90

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.130 AIRPORTS OWNED BY CITIES IN OTHER STATES

Description: Real and personal property located in Washington that is exclusively owned by a municipal corporation of an adjoining state that is used primarily as an airport facility is exempt from property taxation, as long as the size of the airport does not exceed 500 acres.

Purpose: While reciprocity is not mentioned in this statute, it is assumed that should a similar situation occur in Oregon or Idaho, those states would enact similar exemptions.

Category/Year Enacted: Government. 1941; amended in 1998 to add the 500 acre limitation.

Primary Beneficiaries: Only the Pullman-Moscow Regional Airport in Whitman County. Exemption for The Dallesport Airport in Klickitat County (owned by the city of The Dalles, Oregon) was eliminated due to the 500 acre limitation.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 10	\$ 11	\$ 11	\$ 12
Local levies	\$ 40	\$ 42	\$ 46	\$ 48

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.135 HOUSING FINANCE COMMISSION

Description: Real and personal property owned by the state Housing Finance Commission is exempt from property tax. The Commission occasionally assumed title to real property when mortgages were sold under foreclosure proceedings. Even though the Commission may technically hold title to the foreclosed parcel, it is standard practice for the servicing firm to sell the property or for the insurance company to take title and resell the property.

Purpose: Reflects the legislative policy not to tax governmental operations.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: The Housing Finance Commission.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. In the past, rare instances occurred where the Commission would acquire title to certain parcels. Contracts are now structured so that the Commission avoids actually taking title to foreclosed properties. Thus, there is no longer any impact associated with this exemption.

PROPERTY TAXES

84.36.210 PUBLIC RIGHT-OF-WAY EASEMENTS

Description: Easements obtained by governmental entities over and across private property are exempt from property taxation, general tax foreclosure, and sale for delinquent taxes when written documentation of the easement has been filed with the county auditor's office. However, some jurisdictions do negotiate payments in lieu of property taxes with local taxing jurisdictions.

Purpose: Because publicly owned property is exempt from taxation, it follows that the value of easements obtained by government agencies for public purposes on privately owned land should similarly be exempt.

Category/Year Enacted: Government. 1947

Primary Beneficiaries: Governmental jurisdictions.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Indeterminate. No source of information could be located which indicates the total number of easements, their size or their value. An easement may add to the value of a parcel or it may detract from the value, depending upon the activity that the easement grants.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.230 INTERSTATE BRIDGES

Description: A reciprocal exemption exists for bridges and their approaches that cross the state's boundaries which are owned by the state or local governments of Washington and the adjoining state.

Purpose: This exemption represents a combination of the legislative policy not to tax government property and to avoid retaliatory taxation by the adjoining states.

Category/Year Enacted: Government. 1949

Primary Beneficiaries: Presently nine bridges are jointly owned by Washington and one of its neighboring states; eight with Oregon and one with Idaho.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,337	\$ 3,504	\$ 3,698	\$ 3,818
Local levies	\$ 12,920	\$ 13,778	\$ 14,777	\$ 15,516

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.451 LEASEHOLDS OF PUBLIC PROPERTY

Description: Private rights to use or occupy publicly owned property are exempt from property taxation. Individuals and businesses that lease public property are instead subject to the leasehold excise tax pursuant to Chapter 82.29A RCW, based on the rental value of the lease. A section of the leasehold tax law, RCW 82.29A.120(1), limits the amount of that tax to what the property tax would otherwise be.

Purpose: The exemption assures that lessees of public property will pay only the leasehold excise tax and not personal property tax on the value of the lease.

Category/Year Enacted: Tax Base. 1976

Primary Beneficiaries: Private lessees of publicly owned property, e.g. port districts and state tidelands.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ (18,261)	\$ (19,192)	\$ (20,034)	\$ (21,068)
Local levies	\$ 2,433	\$ 2,933	\$ 3,723	\$ 3,985

*Estimates are net of state and local leasehold excise tax. Because the state leasehold excise tax rate is proportionately greater than the local rate, compared with the property tax rates, a shift of tax burden from the state to local jurisdictions would take place if the exemption were eliminated.

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.605 SALE/LEASEBACKS FOR R.T.A.

Description: Real and personal property subject to a sale/leaseback agreement by a regional transportation authority (RTA) pursuant to RCW 81.112.300 is exempt from property taxation.

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 the investor who acquires equipment by this method.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is understood that Sound Transit entered into one or two sale/leaseback agreements in earlier years, but that future agreements are unlikely due to a change in policy by the IRS which no longer allows the investor to write-off depreciation of the equipment. In any event, it is assumed that there is no net impact on property taxes resulting from this exemption, since there would be no property tax liability for Sound Transit if it had retained actual ownership of the personal property covered by the agreement.

PROPERTY TAXES

PROPERTY TAX EXEMPTIONS - NONPROFIT ORGANIZATIONS

84.36.020 CHURCHES, PARSONAGES, CONVENTS & CHURCH GROUNDS

Description: Churches and grounds not exceeding five acres, parsonages and convents of recognized nonprofit religious denominations are exempt from property tax.

Purpose: This long-standing exemption may have originally been enacted by the territorial legislature because it was perceived to be unconstitutional under federal law to tax such property. Subsequently, it reflected legislative policy that recognized the social benefits of religious organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1854

Primary Beneficiaries: Approximately 4,952 churches representing over 120 different religious denominations covering some 9,484 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 13,062	\$ 13,721	\$ 14,181	\$ 14,389
Local levies	\$ 52,132	\$ 55,578	\$ 58,290	\$ 60,050

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.030(1) NONSECTARIAN ORGANIZATIONS

Description: Property owned by nonprofit organizations not affiliated with a specific religion and used for character-building, benevolent, protective or rehabilitative social services for people of all ages is exempt from property taxation.

Purpose: To support the social programs these organizations provide.

Category/Year Enacted: Nonprofit - charitable or religious. 1915

Primary Beneficiaries: Approximately 593 nonprofit, nonsectarian organizations, representing about 1,091 parcels of real property.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,101	\$ 3,257	\$ 3,366	\$ 3,416
Local levies	\$ 12,376	\$ 13,194	\$ 13,837	\$ 14,255

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.030(1) NONPROFIT MERCHANDISE SALES

Description: Nonprofit benevolent or charitable organizations that sell donated merchandise on their own premises are exempt from property tax, as long as the proceeds are devoted to furthering the character-building, benevolent, protective or rehabilitative purposes of these organizations.

Purpose: To support the program and social benefits these organizations provide.

Category/Year Enacted: Nonprofit - charitable or religious. 1983

Primary Beneficiaries: Approximately 20 nonprofit organizations operate thrift shops comprising 27 parcels. In addition, many of the 538 nonprofit, nonsectarian organizations occasionally sell donated merchandise.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 58	\$ 61	\$ 63	\$ 64
Local levies	\$ 230	\$ 245	\$ 258	\$ 265

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.030(2) CHURCH CAMPS

Description: Property owned by a nonprofit church, denomination, group of churches, or association of churches which is used as a camp facility is exempt from property tax, as long as the size does not exceed 200 acres.

Purpose: To provide equal treatment with other church-owned property and to support the programs provided by these camps.

Category/Year Enacted: Nonprofit - charitable or religious. 1971

Primary Beneficiaries: Approximately 417 parcels owned by 136 religious organizations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 440	\$ 462	\$ 478	\$ 485
Local levies	\$ 1,756	\$ 1,872	\$ 1,963	\$ 2,023

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.030(3) YOUTH ORGANIZATIONS

Description: Property owned by nonprofit, character-building organizations serving boys and girls under eighteen years of age is exempt from property taxation. If an existing charter specifies that the organization serve youth up to the age of twenty-one, then the property of the organization is also exempt.

Purpose: To support the social benefits that accrue from these organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1933

Primary Beneficiaries: Approximately 223 parcels owned by 109 youth organizations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 409	\$ 430	\$ 444	\$ 451
Local levies	\$ 1,633	\$ 1,741	\$ 1,827	\$ 1,882

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.030(5) RED CROSS

Description: Property owned by corporations, incorporated under any Congressional act, that provide volunteer aid to the armed forces and carry on a program of national and international relief is exempt from property taxation.

Purpose: To support the social benefits provided by the American Red Cross and to recognize that the Red Cross is considered to be a nontaxable federal instrumentality under constitutional caselaw.

Category/Year Enacted: Nonprofit - health or social welfare. 1945

Primary Beneficiaries: The Red Cross and its 15 chapters in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 27	\$ 28	\$ 29	\$ 30
Local levies	\$ 108	\$ 114	\$ 120	\$ 123

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.030(6) STUDENT LOAN ORGANIZATIONS

Description: Property owned by nonprofit organizations that are exempt from federal income tax and are guarantee agencies under the federal guaranteed student loan program or that issue debt to provide or acquire student loans is exempt from property tax.

Purpose: To support the programs and benefits that these organization provide to college students.

Category/Year Enacted: Nonprofit - other. 1987

Primary Beneficiaries: The personal property of one organization is exempt (no real property is owned).

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal personal property is owned by the one organization that currently operates in Washington.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.032 CHURCH ADMINISTRATIVE OFFICES

Description: Real and personal property of the administrative offices of recognized nonprofit religious organizations is exempt from property tax to the extent the property is used to administer religious programs.

Purpose: To provide equal treatment with the exemption of church property and grounds, because some religious organizations conduct their administrative functions from the church itself while others have separate offices at a different location.

Category/Year Enacted: Nonprofit - charitable or religious. 1975

Primary Beneficiaries: Approximately 37 religious organizations, representing 51 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 167	\$ 175	\$ 181	\$ 184
Local levies	\$ 666	\$ 710	\$ 744	\$ 766

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.035 BLOOD AND TISSUE BANKS

Description: Real and personal property owned or leased by nonprofit blood banks, tissue banks, or blood and tissue banks is exempt from property tax.

Purpose: To support the social benefits that accrue from the work of these organizations.

Category/Year Enacted: Nonprofit - health or social welfare. 1971; extended to leased property and to bone and tissue banks in 1995.

Primary Beneficiaries: Approximately 5 applicants covering 35 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 254	\$ 267	\$ 276	\$ 280
Local levies	\$ 1,015	\$ 1,081	\$ 1,134	\$ 1,169

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.037 PUBLIC ASSEMBLY HALLS AND MEETING PLACES

Description: Public assembly halls and meeting places which are owned by a nonprofit entity and made available to all organizations are exempt from property tax. The property must be used exclusively for public gatherings. For improved facilities the exempt area is limited to one acre, but for unimproved property that has been used for annual community celebration events for at least ten years up to 29 acres may be exempt.

Purpose: To support the social benefits these meeting places provide.

Category/Year Enacted: Nonprofit - other. 1981; in 1997 use of the property for commercial purposes for up to seven days was allowed.

Primary Beneficiaries: Approximately 249 public assembly halls/meeting places, comprising 301 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 123	\$ 130	\$ 134	\$ 136
Local levies	\$ 492	\$ 525	\$ 551	\$ 567

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.040(1a) DAY CARE CENTERS

Description: Real and personal property used by nonprofit day care centers is exempt from property tax.

Purpose: To support the social benefits these organizations provide.

Category/Year Enacted: Nonprofit - health or social welfare. 1973

Primary Beneficiaries: Approximately 94 organizations, operating some 145 day care centers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 390	\$ 409	\$ 423	\$ 429
Local levies	\$ 1,555	\$ 1,659	\$ 1,739	\$ 1,792

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.040(1b) FREE PUBLIC LIBRARIES

Description: Real and personal property used by nonprofit organizations that operate libraries that are open to the public without charge are exempt from property tax.

Purpose: To provide equal treatment with publicly owned libraries and to support the social benefit that private nonprofit libraries provide.

Category/Year Enacted: Nonprofit - arts or cultural. 1854

Primary Beneficiaries: Approximately nine nonprofit organizations that operate libraries.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 8	\$ 9	\$ 9	\$ 9
Local levies	\$ 33	\$ 35	\$ 36	\$ 37

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.040(1c) ORPHANAGES

Description: Real and personal property used by nonprofit orphanages is exempt from property tax.

Purpose: To support the social benefits these organizations provide.

Category/Year Enacted: Nonprofit - health or social welfare. 1891

Primary Beneficiaries: There are two organizations that currently operate an orphanage in Washington, although one of them is devoted more to short-term care.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 39	\$ 41	\$ 43	\$ 43
Local levies	\$ 157	\$ 167	\$ 175	\$ 181

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.040(1d) NURSING HOMES

Description: Real and personal property used by nursing homes that are operated by nonprofit organizations is exempt from property tax.

Purpose: To support the social benefits provided by these facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1891

Primary Beneficiaries: Approximately 39 nonprofit nursing homes, comprising 169 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 660	\$ 720	\$ 773	\$ 814
Local levies	\$ 2,634	\$ 2,916	\$ 3,176	\$ 3,398

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.040(1e) NONPROFIT HOSPITALS

Description: Real and personal property used by privately owned nonprofit hospitals is exempt from property tax.

Purpose: To support the social benefits provided by these institutions and to create equal treatment with public hospitals.

Category/Year Enacted: Nonprofit - health or social welfare. 1886

Primary Beneficiaries: Approximately 69 private, nonprofit hospitals comprising 557 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 10,432	\$ 11,590	\$ 12,670	\$ 13,597
Local levies	\$ 41,635	\$ 46,948	\$ 52,079	\$ 56,747

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.040(1f) OUTPATIENT DIALYSIS FACILITIES

Description: Real and personal property used by nonprofit organizations as outpatient dialysis treatment facilities is exempt from property tax.

Purpose: In the past, organizations that performed dialysis treatment at facilities they owned were exempt as hospitals. However, the delivery of dialysis treatment has changed and such services may now be provided at leased outpatient facilities that are separate from a hospital. This exemption assures that all property and equipment used for dialysis treatment is exempt.

Category/Year Enacted: Nonprofit - health or social welfare. 1987

Primary Beneficiaries: Approximately six organizations providing outpatient dialysis services comprising 34 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 118	\$ 127	\$ 133	\$ 138
Local levies	\$ 472	\$ 512	\$ 548	\$ 575

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.041 HOMES FOR THE AGING

Description: Real and personal property used by a nonprofit home for the aging is exempt from property tax if: (a) at least 50% of the dwelling units are occupied by eligible residents (age 61 or older with annual household income not greater than \$22,000 or 80% of the county median income); (b) the home is subsidized under a federal HUD program; or (c) the home is financed using bonds that are exempt from federal income tax and a percentage of the units are required to be set aside for low income residents. If the home fails to qualify in its entirety, a partial exemption for the real property is prorated based on the number of eligible residents or those requiring assistance with daily activities.

Purpose: To provide equity between the senior citizens who own their own homes and qualify for the senior citizens property tax exemption and those who reside in homes for the aging.

Category/Year Enacted: Nonprofit - health or social welfare. Established as a separate statute in 1989.

Primary Beneficiaries: Approximately 115 nonprofit retirement homes comprising 426 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 2,209	\$ 2,320	\$ 2,398	\$ 2,433
Local levies	\$ 8,816	\$ 9,399	\$ 9,857	\$ 10,155

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.042 HOUSING FOR THE DEVELOPMENTALLY DISABLED

Description: Real and personal property used by nonprofit organizations to provide housing for eligible persons with developmental disabilities is exempt from property tax.

Purpose: To support the social benefits provided by these organizations.

Category/Year Enacted: Nonprofit - health or social welfare. 1998

Primary Beneficiaries: Approximately 200 homes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 88	\$ 92	\$ 97	\$ 100
Local levies	\$ 339	\$ 361	\$ 388	\$ 407

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.043 HOMELESS SHELTERS

Description: Property tax exemption is allowed for real and personal property used by a nonprofit organization to provide emergency or transitional housing for low-income, homeless persons or for victims of domestic violence who are homeless for reasons of personal safety. To be exempt, the any charge for the housing cannot exceed the actual cost to operate and maintain the facility. (NOTE: RCW 84.36.030(1) also provides exemption for nonprofit organizations that provide "protective" services.)

Purpose: To support the services provided by such organizations.

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

Primary Beneficiaries: Approximately 213 organizations comprising 398 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 484	\$ 518	\$ 545	\$ 564
Local levies	\$ 1,930	\$ 2,097	\$ 2,241	\$ 2,354

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.045 MEDICAL RESEARCH & TRAINING FACILITIES

Description: Property tax exemption is provided for real and personal property that is owned or used by nonprofit corporations or associations which is available without charge for research by, or for the training of, doctors, nurses, laboratory technicians, and hospital personnel.

Purpose: To support nonprofit medical research and training facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1975; extended in 1998 to leased facilities.

Primary Beneficiaries: Approximately 8 medical research centers comprising 21 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 840	\$ 899	\$ 947	\$ 979
Local levies	\$ 3,351	\$ 3,641	\$ 3,892	\$ 4,087

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.046 CANCER TREATMENT CLINICS

Description: Real and personal property of clinics that are primarily used in the prevention, detection and treatment of cancer is exempt from property tax, if the clinic is comprised of or formed by a nonprofit organization or municipal hospital corporation.

Purpose: To provide an exemption for outpatient nonprofit cancer clinics and centers. Nonprofit hospitals are exempt under RCW 84.36.040 but that statute does not cover outpatient clinics.

Category/Year Enacted: Nonprofit - health or social welfare. 1997

Primary Beneficiaries: Six organizations comprising 25 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 659	\$ 706	\$ 743	\$ 769
Local levies	\$ 2,630	\$ 2,859	\$ 3,056	\$ 3,208

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.047 RADIO & TV TRANSMISSION STATIONS

Description: Property tax exemption is provided for the real and personal property of nonprofit organizations used exclusively to rebroadcast, amplify or otherwise facilitate the transmission or reception of radio or television signals originally broadcast by foreign or domestic government agencies for reception by the general public.

Purpose: To support the activities of nonprofit broadcasters and the transmission of their programs.

Category/Year Enacted: Nonprofit - other. 1977

Primary Beneficiaries: Previously, there was one transmission facility which utilized this exemption; however, this facility no longer exists. Thus, there are no current beneficiaries.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

PROPERTY TAXES

84.36.050(1) PRIVATE SCHOOLS: COLLEGES

Description: Property owned or used by private, nonprofit colleges and universities that is used exclusively for educational purposes or cultural or art education programs is exempt from property tax. The exemption covers dormitories and other student housing, athletic facilities, faculty housing and all other structures and facilities which are used for education purposes. The maximum amount of real property which may be exempt is 400 acres.

Purpose: To support education provided by nonprofit organizations.

Category/Year Enacted: Nonprofit - other. 1925

Primary Beneficiaries: Approximately 25 privately-owned colleges, universities and technical colleges.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 6,740	\$ 7,080	\$ 7,318	\$ 7,425
Local levies	\$ 26,901	\$ 28,679	\$ 30,079	\$ 30,987

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.050(1) PRIVATE SCHOOLS: K - 12

Description: Property owned or used by private, nonprofit schools offering education from kindergarten through high school that is used exclusively for educational purposes or cultural or art education programs is exempt from property tax. The exemption covers dormitories and other student housing, athletic facilities, faculty housing and all other structures and facilities which are used for education purposes. The maximum amount of real property which may be exempt is 400 acres.

Purpose: To support education provided by nonprofit organizations.

Category/Year Enacted: Nonprofit - other. 1925

Primary Beneficiaries: Approximately 513 private schools.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 5,320	\$ 5,696	\$ 6,000	\$ 6,205
Local levies	\$ 21,232	\$ 23,071	\$ 24,662	\$ 25,895

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.050(2) EDUCATIONAL FOUNDATIONS

Description: Real or personal property owned by a nonprofit foundation established for the exclusive support of an institution of higher education (either public or private) is exempt from property tax. If the property is leased to and used by the institution for college programs, it must be principally designed to further the educational functions of the institution. The exemption is only available for property actively used by currently enrolled students.

Purpose: To support the educational programs of public and private institutions of higher education which are conducted by educational foundations.

Category/Year Enacted: Nonprofit - other. 2001

Primary Beneficiaries: Approximately eight institutions of higher learning with such foundations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 37	\$ 39	\$ 40	\$ 41
Local levies	\$ 148	\$ 158	\$ 166	\$ 170

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.060(1a) ART, SCIENTIFIC AND HISTORICAL COLLECTIONS

Description: Real and personal property of art, scientific and historical collections owned by nonprofit organizations is exempt from property tax, if the items are available to the general public. Property that is used exclusively to protect, maintain and exhibit these collections is also exempt. The organization must receive a substantial part of its financial support either from government or from contributions by the general public.

Purpose: To support nonprofit museums that display art, scientific or historical materials for the public.

Category/Year Enacted: Nonprofit - arts or cultural. 1915

Primary Beneficiaries: This exemption covers a wide variety of collections and museums (e.g. model railroads). Approximately 235 parcels owned by 137 organizations are exempted.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 939	\$ 1,005	\$ 1,059	\$ 1,095
Local levies	\$ 3,748	\$ 4,072	\$ 4,353	\$ 4,571

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.060(1b) PERFORMING ARTS ORGANIZATIONS

Description: Property tax exemption is provided for real and personal property that is owned by or leased to nonprofit organizations that engage in the production and performance of musical, dance, artistic, dramatic or literary works for the benefit of the public. The organization must receive a substantial part of its financial support from either government or from contributions by the general public.

Purpose: To support artistic, literary, musical, dance or dramatic organizations and recognize the educational and artistic contribution they make to society.

Category/Year Enacted: Nonprofit - arts or cultural. 1981

Primary Beneficiaries: Organizations such as community theaters, dance companies, music clubs, art centers, choral groups, symphonies, etc. Approximately 88 parcels owned by 66 organizations are exempt.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 658	\$ 691	\$ 714	\$ 725
Local levies	\$ 2,625	\$ 2,799	\$ 2,935	\$ 3,024

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.250 NONPROFIT WATER COOPERATIVES

Description: Real and personal property of nonprofit cooperatives or corporations which is used exclusively to distribute water to shareholders or members is exempt from property tax.

Purpose: To provide the same treatment for private, nonprofit water distributors and public water districts.

Category/Year Enacted: Nonprofit - other. 1965

Primary Beneficiaries: Approximately 243 nonprofit water corporations or cooperatives, comprising 527 parcels, and their shareholders and members.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 133	\$ 139	\$ 144	\$ 146
Local levies	\$ 529	\$ 564	\$ 592	\$ 609

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.260 CONSERVATION AND OPEN SPACE LANDS

Description: Property tax exemption is provided for real property interests, development rights, easements, covenants and conservation futures on land used exclusively for the conservation of ecological systems, natural resources and open space purposes by nonprofit organizations which are primarily devoted to scientific purposes or conserving natural resources or open space for public purposes. The land must be dedicated to these purposes or be subject to an option to purchase by a governmental entity.

Purpose: To encourage the preservation of open space land and support the activities of nature preservation and conservation organizations.

Category/Year Enacted: Nonprofit - other. 1967

Primary Beneficiaries: Approximately 56 organizations, covering 872 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 245	\$ 257	\$ 265	\$ 269
Local levies	\$ 975	\$ 1,041	\$ 1,092	\$ 1,125

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.350 SHELTERED WORKSHOPS

Description: Real and personal property of nonprofit corporations used to operate a sheltered workshop for handicapped persons is exempt from property tax. Included is property used primarily for manufacturing, handling, sale, or distribution of goods constructed, processed or repaired in the workshop. Inventory owned by a sheltered workshop for sale or lease by the workshop, including raw materials, works in process and finished products is also exempt.

Purpose: To support the social benefits and rehabilitative opportunities accruing from these workshops.

Category/Year Enacted: Nonprofit - health or social welfare. 1970

Primary Beneficiaries: Approximately 37 organizations, representing 99 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 403	\$ 424	\$ 438	\$ 444
Local levies	\$ 1,610	\$ 1,716	\$ 1,800	\$ 1,853

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.480 NONPROFIT FAIR ASSOCIATIONS

Description: Real and personal property of a nonprofit fair association that sponsors or conducts a county fair is exempt from property tax. The association must receive parimutuel tax revenues and the property must be used exclusively for fair purposes. Loan or rental of the property to other nonprofit organizations does not nullify the exemption, if the rental income is reasonable and is solely devoted to maintenance of the property.

Purpose: To support agricultural fairs.

Category/Year Enacted: Nonprofit - other. 1975

Primary Beneficiaries: Approximately nine associations, comprising 20 parcels, benefit from this exemption.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 18	\$ 19	\$ 19	\$ 20
Local levies	\$ 71	\$ 77	\$ 80	\$ 82

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.500 FARM LAND CONSERVATION FUTURES

Description: Conservation futures on agricultural lands acquired by a governmental entity, nonprofit historic preservation corporation, or nonprofit nature conservancy are exempt from property tax on the value of the development rights. To qualify, the lands must be enrolled in the current use assessment program, the conservation futures must be for an unlimited duration, and they must effectively prohibit conversion of the parcel to a nonagricultural use.

Purpose: To encourage the retention of farm lands, particularly in urban transitional areas.

Category/Year Enacted: Nonprofit - other. 1984

Primary Beneficiaries: Nonprofit organizations that acquire the development rights to agricultural lands and the owners of the land who are thereby enabled to remain in farming.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) No current impact. The conservation futures that have been purchased to date generally involve open space lands under RCW 84.36.260, rather than farm lands under this statute.

PROPERTY TAXES

84.36.550 FUND-RAISING FOR NONPROFITS

Description: Real and personal property owned by nonprofit organizations and used for solicitation or collection of gifts, donations or grants is exempt from property tax. To qualify, the organization must: (1) be organized for nonsectarian purposes; (2) be affiliated with a state or national organization which authorizes, approves or sanctions volunteer charitable fund-raising contributions; (3) be exempt from federal income tax; and (4) be governed by a volunteer board of directors. Also, the funds generated must be used for character-building, benevolent, protective or rehabilitative social services or for distribution to at least five other similar nonprofit organizations.

Purpose: To support the fund-raising activities of such nonprofit organizations.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: Approximately 12 organizations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 42	\$ 45	\$ 47	\$ 49
Local levies	\$ 167	\$ 181	\$ 194	\$ 203

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.560 LOW-INCOME RENTAL HOUSING

Description: Real and personal property owned or leased by a nonprofit organization to provide rental housing for very low-income families or used to provide space for the placement of a mobile home for a very low-income household within a mobile home park is exempt from property tax. Low-income is defined as less than 50 percent of the median income for the county, adjusted for the applicable size of the household.

Purpose: To encourage the construction and use of housing facilities or mobile home parks for households with very low incomes.

Category/Year Enacted: Nonprofit - health or social welfare. 1999

Primary Beneficiaries: Owners of about 570 rental facilities, comprising approximately 14,250 units.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,315	\$ 3,481	\$ 3,673	\$ 3,793
Local levies	\$ 12,833	\$ 13,686	\$ 14,678	\$ 15,413

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.570 DEMONSTRATION FARMS

Description: Exemption from property tax is provided for real and personal property owned by a nonprofit organization and used by a research and education program of a state university as a demonstration farm. The nonprofit organization must be exempt from federal income tax. The farm must include research and extension facilities, a public agricultural museum and an educational tour site. The property may be used in the production and sale of agricultural products, if the income is used to further the purposes of the organization and the land does not exceed 50 acres.

Purpose: To enable continued operation of a demonstration cranberry farm by the Washington State University in Pacific County.

Category/Year Enacted: Nonprofit - other. 1999

Primary Beneficiaries: A single demonstration farm operation.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1	\$ 1	\$ 1	\$ 1
Local levies	\$ 4	\$ 4	\$ 4	\$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.650 FUND-RAISING SUPPORT FOR INDIVIDUAL ARTISTS

Description: Property tax exemption is allowed for real and personal property owned by a nonprofit organization that is devoted to raising funds to support individual artists. The organization must be nonsectarian, exempt from federal income tax, and have a board of directors of at least eight members. The funds generated by the organization must be used for grants, fellowships, information services or educational resources in support of individual artists.

Purpose: To assist any organization that supports individual artists.

Category/Year Enacted: Nonprofit - arts or cultural. 2003

Primary Beneficiaries: One entity presently qualifies.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1	\$ 1	\$ 1	\$ 1
Local levies	\$ 4	\$ 5	\$ 5	\$ 5

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

PROPERTY TAX EXEMPTIONS - PRIVATE PROPERTY

84.14.020 TARGETED MULTI-UNIT HOUSING FACILITIES

Description: Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures located in a targeted residential area contained in an urban growth center is exempt from property tax for up to twelve years. Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act.

Purpose: To encourage the development of affordable privately-owned residential units in urban areas.

Category/Year Enacted: Other business. 1995; population threshold subsequently reduced several times.

Primary Beneficiaries: The owners of approximately 50 properties with more than 1,600 housing units.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 509	\$ 522	\$ 530	\$ 522
Local levies	\$ 2,032	\$ 2,113	\$ 2,179	\$ 2,177

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.26.070 REHABILITATION OF HISTORIC PROPERTY

Description: Property that is listed on a national or local register of historic places and satisfies the other criteria in RCW 84.14.030 is granted a special valuation upon approval of the owner's application. If the actual cost of rehabilitating historic property exceeds twenty-five percent of its assessed value, then the cost of the renovation may be excluded from the taxable value for ten years.

Purpose: To encourage the renovation of historic buildings in order to bring them up to building code standards, while preserving their architectural and cultural value.

Category/Year Enacted: Individuals. 1985

Primary Beneficiaries: Owners of historic property who rehabilitate the structure.

Possible Program Inconsistency: This exemption encourages preservation of properties that could be devoted to other uses, especially in urban core areas. Thus, it could be considered as being partially inconsistent with programs that encourage affordable housing and community redevelopment efforts.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1,462	\$ 1,536	\$ 1,620	\$ 1,673
Local levies	\$ 5,662	\$ 6,037	\$ 6,475	\$ 6,799

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.33.040 **TIMBER**

Description: Timber is exempt from ad valorem taxation. Prior to the 2004 statutory amendments only timber on federal and private lands was exempt from property tax. Timber growing on state lands which was covered by a harvest contract signed prior to December 31 was subject to property taxes until it was harvested. However, the harvester of such timber was allowed a credit against the timber excise tax for the amount of property tax due.

Purpose: To simplify the taxation of timber.

Category/Year Enacted: Tax base. 1971 (federal and private lands only); amended in 2004 to add state-owned forest lands.

Primary Beneficiaries: None; this merely clarifies the application of taxes on timber.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

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

84.33.210 **FOREST LAND EXEMPT FROM SPECIAL ASSESSMENTS**

Description: Land designated as forest land is exempt from special benefit assessments. This exemption applies to assessments by local improvement districts that may include forest land, as well as special benefit assessments for projects such as sewer systems, domestic water supply and road improvements. Neither local jurisdictions nor improvement districts are obligated to provide these services to the exempt forest land. However, the land owner may waive the exemption, pay the assessment, and receive the services.

Purpose: To relieve forest land owners of the costs related to development of adjacent land.

Category/Year Enacted: Other. 1992

Primary Beneficiaries: Owners of forest land, particularly in expanding urban areas.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 0	\$ 0	\$ 0	\$ 0
Local levies	\$ 502	\$ 532	\$ 564	\$ 598

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

PROPERTY TAXES

84.36.010 2nd NARROWS BRIDGE

Description: Property tax exemption is provided for state route 16 corridor transportation systems and facilities constructed pursuant to Chapter 47.46 RCW.

Purpose: This exemption is intended to exempt any private property used in conjunction with construction and operation of the 2nd Narrows bridge in Pierce County which will span Puget Sound. When adopted, the exemption was predicated upon the assumption that the bridge would be built with private funding until construction was complete and subsequently deeded to the state. This exemption was therefore intended to lower the overall cost of the project to enhance the likelihood of private investors funding the cost of construction.

Category/Year Enacted: Business incentive. 1998.

Primary Beneficiaries: As originally conceived, firms involved in construction/operation of the bridge and ultimately persons who utilize the bridge.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. The current concept of, and agreement for, construction and operation of the 2nd Narrows bridge and the associated state route 16 systems do not entail any private funding or ownership of property. The revenue effects of this exemption are implicitly included with all other state highways under the State Government category.

84.36.015 PARCELS VALUED LESS THAN \$500

Description: Each parcel of real property and each personal property account that individually has an assessed value of less than \$500 is exempt from property tax.

Purpose: To avoid the administrative expense of listing, valuing and collecting property tax on very small accounts.

Category/Year Enacted: Other. 1997

Primary Beneficiaries: Approximately 75,000 small property owners.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 65	\$ 69	\$ 72	\$ 75
Local levies	\$ 252	\$ 269	\$ 289	\$ 304

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.020 CEMETERIES

Description: Land, buildings and personal property required for the administration and maintenance of public burying grounds or cemeteries are exempt from property tax. The exemption requires that such entities do not discriminate on the basis of race, color, national origin or ancestry.

Purpose: To support the social benefits provided by burying grounds and cemeteries.

Category/Year Enacted: Other. 1854

Primary Beneficiaries: Approximately 458 parcels owned by 189 cemeteries.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1,430	\$ 1,502	\$ 1,552	\$ 1,575
Local levies	\$ 5,707	\$ 6,084	\$ 6,382	\$ 6,574

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.030(4) VETERANS ORGANIZATIONS

Description: Property owned by veterans organizations or societies that are recognized by the Department of Defense and have national chapters is exempt from property tax. To qualify, the property must be used only for purposes of the organization, although the exemption is not nullified if the property is used by a nonprofit organization for fund-raising activities or for commercial business activities for up to fifteen days annually, and the rent is reasonable and doesn't exceed maintenance and operation costs.

Purpose: To support the activities of veterans organizations.

Category/Year Enacted: Other. 1929; expanded in 1993 to allow fund-raising and commercial use.

Primary Beneficiaries: Approximately 158 applicants comprising 211 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 130	\$ 137	\$ 141	\$ 143
Local levies	\$ 520	\$ 554	\$ 581	\$ 598

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.060(1,c) FIRE COMPANIES

Description: Fire engines, buildings and other equipment of fire companies of any city, town or privately owned fire company are exempt from property tax.

Purpose: Municipal fire departments and fire districts are exempt on property they own under RCW 84.36.010. This statute covers privately-owned land upon which fire districts maintain fire stations.

Category/Year Enacted: Other. 1890

Primary Beneficiaries: Only one fire district is known to maintain a fire station on privately-owned land.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1	\$ 1	\$ 1	\$ 1
Local levies	\$ 5	\$ 5	\$ 6	\$ 6

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.060(1,d) HUMANE SOCIETIES

Description: Property owned and used by humane societies is exempt from property tax.

Purpose: To support the social benefits that humane societies provide. Also, to provide the same tax exempt status granted to animal shelters operated by local governments.

Category/Year Enacted: Other. 1915

Primary Beneficiaries: Approximately 21 humane societies covering 35 parcels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 38	\$ 40	\$ 41	\$ 42
Local levies	\$ 152	\$ 161	\$ 170	\$ 175

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.255 HABITAT AND WATER QUALITY IMPROVEMENTS

Description: Property tax exemption is provided for improvements to real and personal property devoted to fish and wildlife habitat restoration and protection and to water quality and quantity improvements. To qualify, the improvements must be undertaken in accordance with a local conservation district's written plan for best management practices.

Purpose: To improve fish and wildlife habitat and water quality/quantity.

Category/Year Enacted: Other. 1997

Primary Beneficiaries: Landowners who invest in habitat improvements.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 9	\$ 10	\$ 10	\$ 10
Local levies	\$ 35	\$ 37	\$ 40	\$ 42

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.381 SENIOR CITIZENS AND DISABLED HOMEOWNERS

Description: Retired senior citizens (aged 61 or more), disabled homeowners, and veterans with 100 percent service-connected disability with incomes of \$35,000 or less are exempt from all excess property taxes levied on their principal residence. Those whose income is between \$25,000 and \$30,000 also are exempt on all regular property tax levies on the first \$50,000 of the residence's assessed value or 35 percent of the value up to a maximum of \$70,000, whichever is greater. Homeowners with incomes less than \$25,000 are exempt from all regular levies on the first \$60,000 of assessed value or 60 percent of the value (with no maximum), whichever is greater.

Purpose: This program was implemented following constitutional authorization by the voters in 1966 to provide property tax relief to low-income, retired or disabled homeowners.

Category/Year Enacted: Individuals. Initial exemption of \$50 in 1967; converted to an income-based exemption in 1971 with income limits increased several times subsequently.

Primary Beneficiaries: Approximately 115,000 homeowners currently benefit from this program.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 17,308	\$ 16,962	\$ 16,623	\$ 16,290
Local levies	\$ 84,229	\$ 82,544	\$ 80,893	\$ 79,275

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.400 HOME IMPROVEMENTS

Description: Improvements to existing single family residential structures are eligible for a three year exemption from property tax following completion of the remodeling. The exemption is limited to no more than 30 percent of the structure's assessed value at the time the work commenced.

Purpose: To encourage homeowners to upgrade their residences, while avoiding the sudden and potentially large increases in assessed value and property tax which can otherwise occur.

Category/Year Enacted: Individuals. 1972

Primary Beneficiaries: Approximately 2,790 homeowners are presently exempt under this program.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 90	\$ 180	\$ 190	\$ 198
Local levies	\$ 349	\$ 703	\$ 752	\$ 798

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.487 AIR POLLUTION CONTROL FACILITIES

Description: Air pollution control equipment that is constructed or installed at a thermal electric generating facility after May 15, 1997 is exempt from property tax. To qualify, the generating facility must have been placed in operation between January 1, 1970 and July 1, 1975.

Purpose: To provide an economic incentive for businesses engaged in the construction or installation of such air pollution facilities or the operation of qualifying generating plants, thereby encouraging the facility to remain in operation and provide jobs while reducing air pollution emissions.

Category/Year Enacted: Other business. 1997

Primary Beneficiaries: Owners of the Centralia steam plant.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 183	\$ 193	\$ 203	\$ 210
Local levies	\$ 710	\$ 757	\$ 812	\$ 853

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.635 ALCOHOL/BIODIESEL FUEL MANUFACTURING FACILITIES

Description: Real and personal property used primarily to manufacture alcohol fuel, biodiesel fuel, or biodiesel feedstock is exempt from property tax. Land used to grow crops which are used for such fuel is not subject to the exemption. The exemption is provided for the first six years following the date the manufacturing facility becomes operational. No new applications for this exemption may be submitted to county assessors after December 31, 2009.

Purpose: To encourage the manufacturing of alternatives to petroleum-based fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: There are currently no facilities that qualify for this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

84.36.640 WOOD BIOMASS FUEL MANUFACTURING FACILITIES

Description: Real and personal property used primarily to manufacture wood biomass fuel is exempt from property tax. Land used to grow crops which are used for such fuel is not subject to the exemption. The exemption is provided for the first six years following the date the manufacturing facility becomes operational. No new applications for this exemption may be submitted to county assessors after December 31, 2009.

Purpose: To encourage the manufacturing of alternatives to petroleum-based fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: There are currently no facilities that qualify for this exemption and no known proposals to construct such a facility.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

PROPERTY TAXES

84.36.655 AIRCRAFT FACILITIES ON PORT PROPERTY

Description: An exemption from property tax is provided for facilities used to manufacture super-efficient airplanes which are located on property owned by a port district. The exemption covers buildings, machinery, equipment and other personal property owned by a lessee of port district property. This exemption is not available if the manufacturer takes the B&O tax credit provided by RCW 82.04.4463. This exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage siting of a super-efficient airplane manufacturing facility in Washington. This exemption presumes that such a facility would be located on port district property. As such, it addresses the personal property component of the facility, since the real property is presumed to be publicly-owned.

Category/Year Enacted: Business incentive. 2003 (effective January 1, 2005)

Primary Beneficiaries: Any manufacturer of a super-efficient airplane that locates a facility on port district property.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. This exemption was available in the event that assembly facilities for the Boeing 787 airplane might have been located on port district property.

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

84.36.660 SPRINKLER SYSTEMS IN NIGHTCLUBS

Description: Owners or qualified lessees of nightclubs who install sprinkler systems are eligible for exemption from property tax for up to ten years on the increase in market value of the structure which is attributable to the sprinkler system. A requirement was added in 2007 stipulating that all nightclubs install automatic sprinkler systems by December 1, 2009. After that date no new applications for this exemption may be made.

Purpose: To encourage fire protection in these facilities.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Owners of nightclubs

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. To date no facility has applied for the exemption. Even with the mandatory requirement to install such systems, it is believed that the incremental change in value of the structure due to the system will be relatively small.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.39.010 WIDOWS/WIDOWERS OF VETERANS

Description: This exemption is structured as a grant of state funds to pay a portion of the applicant's property taxes. Qualified applicants must be a widow or widower of a veteran who either: (1) died as a result of a service-related disability; (2) was rated as 100 percent disabled for at least 10 years prior to death, (3) was a prisoner of war and 100 percent disabled for at least one year prior to death, or (4) died while on active duty or during in active military training. Applicants for the property tax assistance program must be over age 62 or unable to work because of disability, must not have remarried and must have a combined disposable income of \$40,000 or less.

The grant equals the amount of regular and special property tax levies imposed on the difference between the value of the residence that is eligible under the senior citizens exemption program and the following:

- If disposable income is less than \$30,000, the first \$100,000 of residential value.
- If disposable income is between \$30,000 and \$35,000, the first \$75,000 of residential value.
- If disposable income is between \$35,000 and \$40,000, the first \$50,000 of residential value.

Purpose: To provide property tax relief for survivors of deceased veterans.

Category/Year Enacted: Individuals. 2005

Primary Beneficiaries: Currently, approx. 65 persons are enrolled in the program.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 20	\$ 20	\$ 20	\$ 20
Local levies – None, state grant.				

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

84.56.025 WAIVER OF DELINQUENCY PENALTIES

Description: Interest and penalties on delinquent property taxes may be waived for up to 18 months if the delinquency was due to an error on the part of the county or because of hardship caused by the death of the taxpayer's spouse, parent or step-parent.

Purpose: To provide relief for taxpayers in the above situations.

Category/Year Enacted: Individuals. 1984; statute clarified in 2003 giving County Treasurers more flexibility in administering the waiver of delinquency penalties.

Primary Beneficiaries: Property owners who may owe interest and penalties in these circumstances.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. No county has reported any utilization of this waiver.

PROPERTY TAXES

PROPERTY TAX EXEMPTIONS - PERSONAL PROPERTY

84.36.070 INTANGIBLES

Description: Intangible personal property is exempt from property tax. Included in the definition of intangibles are: (1) all money and credits, such as mortgages, cash, deposits, loans and securities; (2) private personal service contracts and athletic franchises or agreements; and (3) other intangible personal property including trademarks, trade names, trade secrets, patents, copyrights, franchise agreements, customer lists, licenses and permits, etc. The law specifically excludes characteristics and attributes of real property (zoning, location, view, geographic features, etc.) from the definition of intangibles.

Purpose: To avoid double taxation of tangible assets underlying intangible assets. Also the exemption recognizes the administrative difficulty of locating and valuing such mobile assets.

Category/Year Enacted: Intangibles. 1931. In 1997 the definition was revised to illustrate the three broad categories of intangibles noted above.

Primary Beneficiaries: Holders of intangible assets, both individuals and businesses.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 3,577,334	\$ 3,854,324	\$ 4,101,623	\$ 4,240,742
Local levies	\$13,735,003	\$15,019,284	\$16,219,509	\$17,025,961

*Estimates based on the full value of assets and existing levy rates; assumes no tax on real estate mortgages or government securities. NOTE: the estimate was increased significantly compared with earlier years, because of a change in methodology and available forecasts of financial assets.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely - to some extent other taxpayers would experience reduced taxes for the state levy and most local levies. The addition of such a large amount of taxable value would force property tax receipts to the maximum allowable receipts under existing levy limitation; thus there would be the potential for significant additional revenue. However, there would be a significant compliance problem, because intangibles are easily concealed or moved to other states. The few states that attempt to tax intangibles do so either: (1) under the property tax but at very low millage rates, or (2) under an income tax levied on the gains accruing from the assets.

PROPERTY TAXES

84.36.079 SHIPS AND VESSELS UNDER CONSTRUCTION

Description: Property tax exemption is provided for vessels of more than 1,000 ton burden which are under construction within the state. Included are the materials and parts held by the builder at the construction site for incorporation into such vessels. (Note: any construction of state ferry boats or Naval vessels would be covered under the public property exemption.)

Purpose: To improve the competitive position of shipyards in Washington.

Category/Year Enacted: Business incentive. 1959

Primary Beneficiaries: Owners of vessels under construction and the shipyards where the activity occurs.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; no construction of private ships of this magnitude has taken place in recent years and none is anticipated in the near future.

84.36.080(1) COMMERCIAL VESSELS

Description: Vessels used for commercial fishing or for transportation of persons or freight in interstate commerce are subject to the state property tax only and are exempt from all local levies. An apportionment system (RCW 84.40.036) was adopted in 1986 which allocates a portion of the vessel's value to this state based on the length of time spent in Washington waters. Vessels in the state for less than 120 days per year are entirely exempt.

Purpose: To promote ocean-going commerce and commercial fishing in Washington.

Category/Year Enacted: Business incentive. 1931

Primary Beneficiaries: About 3,000 commercial fishing boats and documented commercial vessels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 912	\$ 923	\$ 916	\$ 891
Local levies	\$ 7,597	\$ 8,080	\$ 8,454	\$ 8,688

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.080(2) HISTORIC VESSELS

Description: Ships and vessels listed on the state or federal register of historic places are exempt from property tax.

Purpose: To encourage retention and restoration of historic boats.

Category/Year Enacted: Individuals. 1986

Primary Beneficiaries: Owners of approximately 20 vessels.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 28	\$ 30	\$ 32	\$ 33
Local levies	\$ 112	\$ 122	\$ 131	\$ 137

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.090 OTHER SHIPS AND VESSELS

Description: All ships and vessels, other than those exempted above under RCWs 84.36.079 and 84.36.080, are exempt from property tax.

Purpose: To protect the owners of pleasure boats and other vessels from paying both the personal property tax and the 0.5 percent state watercraft excise tax.

Category/Year Enacted: Individuals. 1931 (the exemption applied only to 80% of local levies until 1984).

Primary Beneficiaries: Owners of pleasure boats.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ (10,434)	\$ (11,457)	\$ (12,468)	\$ (13,246)
Local levies	\$ 23,735	\$ 24,612	\$ 25,388	\$ 26,896

*Assumes the state 0.5% watercraft excise tax is in lieu of personal property tax; thus the amount of this tax has been subtracted to indicate the net impact of both taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.105 CARGO CONTAINERS

Description: Cargo containers that are principally used in ocean commerce are exempt from property tax.

Purpose: To help Washington ports compete with other West Coast ports.

Category/Year Enacted: Business incentive. 1975

Primary Beneficiaries: Owners of cargo containers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 256	\$ 269	\$ 284	\$ 293
Local levies	\$ 991	\$ 1,057	\$ 1,134	\$ 1,190

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.110(1) HOUSEHOLD GOODS AND PERSONAL EFFECTS

Description: Household items and furnishings in actual use by the owner and personal effects held by any person for his/her personal use are exempt from property tax. Originally, the exemption was limited to \$300 of household goods, but in 1935 it was broadened to include all household items in a residence which were not used for commercial purposes or held for sale.

Purpose: To avoid the administrative difficulty of locating and listing household items and establishing current values for used items.

Category/Year Enacted: Individuals. 1871

Primary Beneficiaries: Approximately 2.6 million residential households in the state.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 68,732	\$ 71,030	\$ 72,934	\$ 73,526
Local levies	\$274,310	\$287,710	\$299,799	\$306,850

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.110(2) \$15,000 OF PERSONAL PROPERTY

Description: In addition to the complete exemption of household goods and personal effects, the first \$15,000 of taxable personal property for heads of families is exempt from property tax. Since households typically have no other personal property tax liability, this exemption effectively reduces the personal property tax liability of non-corporate businesses, which are subject to personal property tax on business equipment and supplies.

Purpose: The exemption was originally intended to exempt household goods and furnishings up to a value of \$300. When the statute was expanded to completely exempt household goods, furnishings and personal effects, the \$300 exemption effectively applied only to heads of families who have taxable personal property used in a business activity (essentially sole proprietors).

Category/Year Enacted: Individuals. 1890; increased from \$300 to \$3,000 in 1988 and to \$15,000 in 2006.

Primary Beneficiaries: Approximately 15,200 firms apply for the exemption.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 314	\$ 317	\$ 315	\$ 308
Local levies	\$ 1,116	\$ 1,144	\$ 1,153	\$ 1,144

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.240 SOIL AND WATER CONSERVATION DISTRICTS

Description: Personal property belonging solely to soil and water conservation districts is exempt from property tax.

Purpose: To assist what is essentially a quasi-governmental activity.

Category/Year Enacted: Government. 1963

Primary Beneficiaries: There are 47 soil and water conservation districts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 2	\$ 3	\$ 3	\$ 3
Local levies	\$ 9	\$ 10	\$ 11	\$ 11

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.300 GOODS IN TRANSIT

Description: Goods, wares, merchandise and materials are exempt from property tax, if they are acquired by the taxpayer by any means other than by manufacture within Washington for the purpose of sale or shipment in substantially the same form they were acquired. Breaking of packages or of bulk shipments, packaging, repackaging, labeling or relabeling is not considered a change of form. Items exempted include aircraft parts, equipment, furnishings and accessories but not engines or major structural components that are manufactured outside of Washington.

Purpose: To encourage trade and promote manufacturing within the state.

Category/Year Enacted: Business incentive. 1961

Primary Beneficiaries: Wholesalers of goods passing through the state and manufacturers of aircraft.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Impact is included with the inventory exemption, RCW 84.36.477.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.470 AGRICULTURAL PRODUCTS

Description: All agricultural products, as defined in RCW 82.04.213, grown or produced for sale by a person on lands owned or leased by the producer are exempt from property tax.

Purpose: Originally, the exemption was intended to assist a depressed agricultural economy. Now that business inventories are exempt from property tax, the exemption of agricultural products following harvest is superfluous because these items are held for sale, i.e. business inventory.

Category/Year Enacted: Agriculture. 1984; following reduced assessment from 1975 through 1983 and earlier limited exemptions in 1933 and 1939.

Primary Beneficiaries: Agricultural producers, processors and shippers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 9,181	\$ 9,847	\$ 10,392	\$ 10,748
Local levies	\$ 36,643	\$ 39,887	\$ 42,717	\$ 44,854

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.
Furthermore, harvested agricultural products would likely be considered as exempt inventories.

PROPERTY TAXES

84.36.477 BUSINESS INVENTORIES
84.36.510 MOBILE HOME INVENTORIES

Description: Business inventories, including most products held for sale, are exempt from property tax.

Purpose: To provide a stimulant to the economy and help to make Washington competitive with neighboring states that eliminated personal property taxes on business inventories. (It should be noted that the state B&O tax applies to inventories each time they are sold at the wholesale or retail level.)

Category/Year Enacted: Other business. 1974, effective for taxes due in 1984, following a ten year period during which an increasing percentage of the personal property tax paid on inventories was allowed as a credit against the state B&O tax.

Primary Beneficiaries: Manufacturers, wholesalers and retailers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 83,000	\$ 87,000	\$ 92,000	\$ 95,000
Local levies	\$320,000	\$341,000	\$366,000	\$385,000

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.590 VITRIFICATION EQUIPMENT

Description: Personal property located on land owned by the U.S. government at the Hanford reservation is exempt from property tax if it is used exclusively in the performance of a privatization contract to pre-treat, treat, vitrify or immobilize tank waste. The personal property must be used by the person who has a privatization contract to perform tank waste clean-up operations at the Hanford Reservation.

Purpose: To support the nuclear waste clean-up activities at Hanford.

Category/Year Enacted: Business incentive. 2000

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. One vitrification plant is being constructed at Hanford, but it is not anticipated to be operational until 2019. The plant and equipment will be owned by the US Department of Energy and will be operated by a private contractor. Any equipment used in this effort that is owned directly by the federal government would be exempt under RCW 84.36.010, not this statute.

PROPERTY TAXES

84.36.595 MOTOR VEHICLES, TRAVEL TRAILERS, CAMPERS

Description: Motor vehicles, travel trailers and campers are exempt from property tax.

Purpose: Prior to 1951 vehicles were subject to property taxation, but became exempt when they were subject to the motor vehicle excise tax which was in lieu of property tax. When the state motor vehicle excise tax was repealed in 2000, vehicles were technically again subject to property tax. Thus, this exemption was enacted to assure that property tax does not apply to vehicles.

Category/Year Enacted: Tax base. 2000

Primary Beneficiaries: Individuals and businesses who own vehicles.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$125,567	\$134,994	\$142,790	\$148,285
Local levies	\$501,140	\$546,802	\$586,940	\$618,845

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.36.600 CUSTOM COMPUTER SOFTWARE

Description: Custom computer software, except for embedded software, is exempt from property tax. Custom software is defined as software that is designed for a specific need for a single person or group of persons. Also exempt are master or golden copies of software, retained rights in computer software and modifications to canned software.

Purpose: To recognize the administrative difficulties in valuing such software and to achieve uniform tax treatment in all counties.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: Businesses that own custom computer software.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1,219	\$ 1,280	\$ 1,351	\$ 1,394
Local levies	\$ 4,719	\$ 5,032	\$ 5,397	\$ 5,666

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.36.630 FARM MACHINERY

Description: Personal property in the form of machinery and equipment owned by a farmer and used in growing and producing agricultural products is exempt from the state property tax only. Farm machinery is still subject to local property tax levies.

Purpose: To reduce the property tax burden for farmers.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Farmers who own machinery and equipment.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 1,033	\$ 1,066	\$ 1,081	\$ 1,076
Local levies	\$ 0	\$ 0	\$ 0	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy.

84.36.645 EQUIPMENT FOR MANUFACTURING SEMICONDUCTOR MATERIALS

Description: All manufacturing machinery and equipment used by the cluster of firms in the semiconductor industry is exempt from property tax if two conditions are met: (1) the equipment must be exempt from retail sales/use tax as manufacturing machinery; and (2) a new semiconductor fabrication facility begins commercial operation in the state. Such a facility must have invested at least \$1 billion in buildings and equipment in Washington. If both conditions are met, the property tax exemption will apply for the first 12 years following completion of the \$1 billion fabrication facility. However, these criteria have not yet been met, and it is believed that the investment will not occur during the forecast period of this study.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criteria have not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None to date.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.40.030(3) GROWING CROPS

Description: Crops that have not been harvested as of the January 1 assessment date are excluded from the value of agricultural land for property tax purposes.

Purpose: Most crops are harvested at the end of the growing season and therefore are not subject to property tax. This exemption provides equal treatment for the few crops that may be growing in the ground on January 1, principally winter wheat and fall barley.

Category/Year Enacted: Agriculture. 1890

Primary Beneficiaries: Farmers who have crops growing on January 1.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 186	\$ 200	\$ 211	\$ 218
Local levies	\$ 744	\$ 810	\$ 867	\$ 911

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.40.037 CANNED COMPUTER SOFTWARE

Description: "Canned" computer software, except embedded software, is subject to property tax on 100 percent of the acquisition cost in the first year following purchase and on 50 percent of the cost in the second year. Thereafter, it is exempt from property tax. Canned software refers to software programs that are purchased "off the shelf" for direct use without modification for the specific needs of the user.

Purpose: To recognize the rapid obsolescence of software and the difficulty of establishing accurate depreciation schedules for the myriad of software programs. Also, it helps to provide uniformity of taxation throughout the state.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: Businesses that own canned software.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 2,901	\$ 3,046	\$ 3,215	\$ 3,319
Local levies	\$ 11,230	\$ 11,977	\$ 12,845	\$ 13,487

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.40.220 NURSERY STOCK

Description: Nursery stock grown in pots or bags is exempt from property tax. This exemption was enacted when the industry changed its method of growing such products by switching to pots and bags, rather than in the ground. Because this stock is not grown in the ground, it is not included in the growing crops exemption under RCW 84.40.030(3).

Purpose: To provide tax treatment for nursery stock that is equivalent to growing crops.

Category/Year Enacted: Agriculture. 1971

Primary Beneficiaries: About 200-300 producers of nursery stock.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 129	\$ 138	\$ 145	\$ 150
Local levies	\$ 513	\$ 558	\$ 598	\$ 628

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAX DEFERRAL AND ALTERNATE VALUATION

84.33.140 FOREST LAND STATUTORY VALUES

Description: Provides a statutory formula to set values for designated forest lands as bare timber land without considering the highest and best use of the land or the standing timber.

Purpose: To encourage the retention of private land in timber production and to provide uniformity in the valuation of forest lands.

Category/Year Enacted: Other business. 1971; valuation calculation revised in 1982 and previous statute (RCW 84.33.120) repealed in 2001.

Primary Beneficiaries: Owners of some 46,300 parcels covering over 6.6 million acres of forest lands.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 7,186	\$ 7,546	\$ 7,963	\$ 8,222
Local levies	\$ 27,819	\$ 29,668	\$ 31,818	\$ 33,409

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.33.140(13-14) COMPENSATING TAX ON REMOVAL OF FOREST LAND

Description: When forest land is removed from the designated forest land program, a compensating tax is paid by the landowner to reimburse the counties for past tax losses due to the lower land valuations associated with this program. This statute waives the compensating tax when forest land is removed in a variety of situations, e.g., governmental land exchanges, transfer to a governmental or non-profit entity for conservation purposes, or a transfer or sale within two years of the death of the landowner, etc.

Purpose: To encourage land transfers for conservation purposes and to avoid penalizing family members who sell designated forest land after the landowner has died.

Category/Year Enacted: Other. 1971; expanded numerous times subsequently.

Primary Beneficiaries: Owners of some 6.4 million acres of designated forest land statewide.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 0	\$ 0	\$ 0	\$ 0
Local levies	\$ 547	\$ 547	\$ 547	\$ 547

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

84.34.060 CURRENT USE: OPEN SPACE & TIMBER LAND

Description: Land classified as open space land or timber land under Chapter 84.34 RCW is valued on the basis of its current use and not its potential use. This statute also requires current use timber land to be valued the same way as designated forest land under Chapter 84.33 RCW.

Purpose: To encourage owners of open space and timber lands to retain the property in its natural state by valuing it at less than the highest and best use value.

Category/Year Enacted: Other. 1970 after approval of a constitutional amendment in 1968 allowing for taxation of such lands on their current use value.

Primary Beneficiaries: Owners of about 213,000 acres of open space and timberlands.

Possible Program Inconsistency: Preservation of open space and timberland in some areas might be considered as inconsistent with economic development and urban renewal programs.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 2,482	\$ 2,606	\$ 2,750	\$ 2,840
Local levies	\$ 9,608	\$ 10,246	\$ 10,989	\$ 11,539

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

PROPERTY TAXES

84.34.065 **CURRENT USE: FARM LAND**

Description: Farm and agricultural land classified under Chapter 84.34 RCW is valued on the basis of its productive capacity, as measured by net cash rental values of comparable lands and crops most typically grown in the area, rather than its market value based on its highest and best use.

Purpose: To encourage owners of such land to continue to use it for agricultural purposes, particularly in areas of encroaching urbanization where the highest and best use value may exceed the current use value, rather than develop it for nonagricultural uses.

Category/Year Enacted: Agriculture. 1973 after approval of a constitutional amendment in 1968 allowing for taxation of such lands on their current use value.

Primary Beneficiaries: Owners of approximately 11.3 million acres of farm land enrolled in the program.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 16,034	\$ 16,836	\$ 17,766	\$ 18,344
Local levies	\$ 62,067	\$ 66,193	\$ 70,990	\$ 74,540

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.34.108(6) **COMPENSATING TAX ON REMOVAL OF OPEN SPACE LAND**

Description: When land is removed from the current use program, additional tax is paid by the landowner to reimburse the counties for past tax losses due to the low land valuations associated with this program. This statute waives the additional tax when land is removed in a variety of situations, e.g., governmental land exchanges, transfer to a governmental or non-profit entity for conservation purposes, a transfer or sale within two years of the death of the landowner, etc.

Purpose: To encourage transfers of open space lands under the enumerated situations.

Category/Year Enacted: Other. 1973, expanded several times in subsequent years.

Primary Beneficiaries: Owners of open space lands that are sold in these situations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 359	\$ 382	\$ 408	\$ 432
Local levies	\$ 1,378	\$ 1,469	\$ 1,567	\$ 1,661

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes; however, some sales to the public sector might not occur if the compensating tax had to be paid.

PROPERTY TAXES

84.36.381(6) SENIOR CITIZENS/DISABLED HOMEOWNERS VALUATION FREEZE

Description: The valuation of owner-occupied residential property of qualified retired senior citizens and disabled homeowners, including disabled veterans is frozen for property tax purposes. The home's assessed value is frozen as of January 1, 1995 or January 1 of the first assessment year the homeowner qualified for the property tax exemption in RCW 84.36.381. To qualify, homeowners must be at least 61 years of age or physically disabled and have household income of no more than \$35,000.

Purpose: To provide additional property tax relief for low-income senior citizens and disabled homeowners. Freezing the residential value recognizes that some of these homeowners are living on fixed incomes and may have difficulty in paying increasing property taxes on appreciating home values.

Category/Year Enacted: Individuals. 1995

Primary Beneficiaries: Approximately 115,000 homeowners benefit from the valuation freeze.

Possible Program Inconsistency: Yes; all other residential property is valued for tax purposes according to its current market value.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 17,006	\$ 19,047	\$ 21,333	\$ 23,893
Local levies	\$ 60,148	\$ 67,366	\$ 75,450	\$ 84,504

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

84.38.030 SENIOR CITIZEN/DISABLED HOMEOWNERS DEFERRAL

Description: Senior citizens and disabled homeowners who qualify for property tax exemption in RCW 84.36.381, except for the age and income limits, may defer any remaining property taxes and special assessments up to 80 percent of the homeowner's equity in the residence (including up to five acres of adjoining property). Owners must be at least 60 years of age and have household income no greater than \$40,000. All amounts of deferred taxes become a lien against the property, and upon the eventual sale of the property the deferred taxes plus interest must be paid to the state. Local taxing districts are reimbursed by the state for the local property taxes that are deferred under the program.

Purpose: To relieve the property tax burden of low-income, elderly or disabled persons.

Category/Year Enacted: Individuals. 1975; program broadened in 1995.

Primary Beneficiaries: Approximately 745 senior citizen or disabled homeowners.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 858	\$ 852	\$ 846	\$ 839
Local levies	\$ 0	\$ 0	\$ 0	\$ 0

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

Yes; however, the deferred amount of tax is eventually repaid to the state.

PROPERTY TAXES

84.70.010 DESTROYED PROPERTY

Description: Reduction in the assessed value of real or personal property is allowed for damage resulting from a disaster which is declared by the Governor or the county legislative authority, if the property's value has been reduced by more than twenty percent. The amount of reduction is equal to the difference in the fair market value before and after the destruction.

Purpose: To provide relief for taxpayers when natural disasters destroy property.

Category/Year Enacted: Other. 1974

Primary Beneficiaries: Owner of property impacted by a natural disaster.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State levy	\$ 52	\$ 52	\$ 52	\$ 51
Local levies	\$ 183	\$ 188	\$ 190	\$ 188

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; other taxpayers would experience reduced taxes for the state levy and most local levies.

IN LIEU EXCISE TAXES - LEASEHOLD EXCISE TAX

35.21.755 PUBLIC HISTORICAL SITES

Description: Exemption from leasehold excise tax is provided for property listed on a federal or state historic register that is controlled by a public corporation, commission or authority that was in existence before 1987. Also exempt is property that is located in a special review district which was established prior to 1976.

Purpose: To support the social benefits provided by publicly owned historical sites.

Category/Year Enacted: Government. 1977

Primary Beneficiaries: There are approximately ten properties exempt under this 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	\$ 233	\$ 246	\$ 259	\$ 272
Local taxes	\$ 205	\$ 215	\$ 227	\$ 239

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

PROPERTY TAXES

82.29A.020(1) GOVERNMENT MANUFACTURING

Description: Excluded from the term "leasehold interest" is any interest in personal property owned by the U.S. government or a foreign government, if the right to use such property is part of a contract to produce articles for sale to these governments.

Purpose: To minimize the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Contractors with the federal and 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	\$ 842	\$ 877	\$ 913	\$ 951
Local taxes	\$ 738	\$ 769	\$ 801	\$ 834

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

82.29A.020(1) EASEMENTS FOR REMOVING PRODUCTS

Description: Excluded from the term "leasehold interest" are road or utility easements and rights of access, occupancy or use granted solely for the purpose of removing materials or products purchased from a public owner or lessee or for the purpose of natural energy resource exploration.

Purpose: To minimize costs to private firms and individuals who use public lands for these purposes.

Category/Year Enacted: Other. 1976

Primary Beneficiaries: Utility companies and other businesses and individual who must have long-term access across public lands or who use public roads on a temporary basis to remove timber, minerals, etc. that are purchased from public entities.

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	\$ 234	\$ 246	\$ 259	\$ 273
Local taxes	\$ 205	\$ 216	\$ 227	\$ 239

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

PROPERTY TAXES

82.29A.020(2) HANFORD LEASES, SPECIAL FEES

Description: For purposes of determining leasehold tax on lands on the Hanford reservation which are subleased to a private or public entity by the Department of Ecology, the term "taxable rent" includes only the annual cash rental payment and does not include fees, assessments or other charges.

Purpose: To reduce the cost of such leases.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: One firm meets the special criteria for this exclusion.

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	\$ 4	\$ 4	\$ 4	\$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely; this reflects a negotiated settlement between the state and the firm.

82.29A.120(1) CREDIT FOR EXCESSIVE LEASEHOLD TAX

Description: A credit is allowed against leasehold tax for two types of leases: (1) leases, other than product leases, executed after April 1, 1986, and (2) leases in which the Department of Revenue determines the amount of contract rent. For both types of leases the credit is equal to the amount that the computed leasehold tax exceeds the amount of property taxes that would apply to the leased property if the property were in private ownership.

Purpose: The credit assures that the leasehold tax, which is in lieu of property tax, does not exceed the equivalent amount of property tax.

Category/Year Enacted: Other business. 1986

Primary Beneficiaries: Lessees of public property.

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	\$ 91	\$ 93	\$ 98	\$ 104
Local taxes	\$ 79	\$ 82	\$ 86	\$ 91

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

PROPERTY TAXES

82.29A.120(2) PRODUCT LEASES, 33% CREDIT

Description: A credit is allowed equal to 33 percent of the tax otherwise due on product leases, i.e., leases where the lessee pays the lessor a percentage of the value of the crop produced on the land.

Purpose: To support agriculture.

Category/Year Enacted: Agriculture. 1976; definition of products broadened in 1999.

Primary Beneficiaries: Farmers who produce crops or graze livestock on publicly owned land.

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	\$ 113	\$ 114	\$ 116	\$ 117
Local taxes	\$ 99	\$ 100	\$ 102	\$ 103

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

82.29A.130(3) SUBSIDIZED HOUSING

Description: Excluded from leasehold excise tax are leases of subsidized housing where fee ownership is vested in the U.S. government, the state, or any political subdivision. There must be an income qualification for such housing in order for the exemption to apply.

Purpose: To support public housing for low-income individuals.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public housing authorities and the individuals who reside in subsidized 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	\$ 11,306	\$ 11,730	\$ 12,170	\$ 12,627
Local taxes	\$ 9,917	\$ 10,289	\$ 10,675	\$ 11,076

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

PROPERTY TAXES

82.29A.130(5) RESIDENCES OF PUBLIC EMPLOYEES

Description: When public employees are required by the terms of their employment to live in a publicly owned residence (e.g., at state parks), the property comprising the residence is not subject to leasehold excise tax.

Purpose: This exemption was enacted as part of legislative policy to not tax government. Also, the tax would in essence reduce employee compensation or increase government costs.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public employees who must live in government 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	\$ 133	\$ 140	\$ 147	\$ 155
Local taxes	\$ 117	\$ 123	\$ 129	\$ 136

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

82.29A.130(6-7) INDIAN TRUST LANDS

Description: Leasehold interest in Indian lands by any Indian or Indian tribe, if the fee ownership of the property is held in trust by the United States, is exempt from leasehold tax. Leases by non-Indians are exempt when the contract rent paid is greater than or equal to 90 percent of fair market value.

Purpose: Federal law prohibits the taxation of trust lands of enrolled Indians.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Indians and non-Indians with qualifying leases of Indian property.

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	\$ 354	\$ 373	\$ 393	\$ 414
Local taxes	\$ 311	\$ 327	\$ 345	\$ 363

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

PROPERTY TAXES

82.29A.130(8-9) LEASES LESS THAN \$250 PER YEAR OR 30 DAYS

Description: Leases of public property are exempt from leasehold tax if the total annual rent is less than \$250 or if the lease period does not exceed 30 consecutive days in duration.

Purpose: The \$250 annual threshold supports small businesses and provides administrative convenience for both lessees and lessors. The 30 day threshold can apply to both small and large lessees. It encourages short-term events, such as sporting events and trade shows, to take place in Washington.

Category/Year Enacted: Other business. 1976

Primary Beneficiaries: Qualifying lessees.

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	\$ 2,214	\$ 2,331	\$ 2,455	\$ 2,585
Local taxes	\$ 1,942	\$ 2,045	\$ 2,153	\$ 2,268

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

82.29A.130(10) HOMES PENDING DESTRUCTION

Description: Month-to-month leases in residential units rented for residential purposes pending destruction or removal to construct a public highway or building are exempt from leasehold tax.

Purpose: When a private residence is either condemned or purchased outright to make way for a public project, this exemption provides tax relief during the transition period.

Category/Year Enacted: Other. 1976

Primary Beneficiaries: Residents of homes awaiting destruction or removal.

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	\$ 39	\$ 41	\$ 44	\$ 46
Local taxes	\$ 34	\$ 36	\$ 38	\$ 40

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

PROPERTY TAXES

82.29A.130(11) PUBLIC WORKS CONTRACTS

Description: Leasehold interest of public works contractors who use public property while completing public works projects for the State or the federal government is not subject to leasehold excise tax.

Purpose: To minimize the cost to government of public works construction projects.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public works contractors and the government entities with whom they contract.

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	\$ 33	\$ 35	\$ 37	\$ 39
Local taxes	\$ 29	\$ 31	\$ 32	\$ 34

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

82.29A.130(12) INMATE EMPLOYMENT PROGRAMS

Description: This statute provides leasehold tax exemption for firms that use space in State adult correctional facilities in conjunction with comprehensive inmate work programs.

Purpose: To promote such programs.

Category/Year Enacted: Government. 1992

Primary Beneficiaries: None currently.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. This program was found to be unconstitutional by the Washington State Supreme Court in 2004.

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

PROPERTY TAXES

82.29A.130(13) CAMPS FOR DISABLED PERSONS

Description: Nonprofit, social service organizations that provide organized and supervised recreational activities for disabled persons of all ages in a camp facility and for public recreational purposes are exempt from tax.

Purpose: To support the activities of qualifying nonprofit organizations.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: There are four known organizations that operate a camp for disabled persons on leased public property.

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	\$ 165	\$ 173	\$ 182	\$ 192
Local taxes	\$ 144	\$ 152	\$ 160	\$ 169

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

82.29A.130(14) PROFESSIONAL BASEBALL STADIUM

Description: Leasehold tax exemption is allowed for all interests in the public or entertainment areas of a professional baseball stadium located in Seattle. The facility must have natural turf, a retractable roof, seating capacity of at least 40,000, be located in King County, and have been completed after January 1, 1995 to be eligible for the exemption. The exemption does not extend to nonpublic areas of the stadium such as locker rooms and private offices used exclusively by the lessee.

Purpose: To encourage construction and operation of Safeco Field.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: The Seattle Mariners.

Possible Program Inconsistency: Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and therefore leasehold tax does not apply.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 50	\$ 51	\$ 52	\$ 53
Local taxes	\$ 43	\$ 44	\$ 45	\$ 46

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

PROPERTY TAXES

82.29A.130(15) PROFESSIONAL FOOTBALL STADIUM

Description: Leasehold tax exemption is provided for all interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer which was constructed after January 1, 1998. The exemption also applies to an exhibition center and associated parking facilities adjacent to the stadium. The exemption does not extend to nonpublic areas of the stadium, such as locker rooms and private offices used exclusively by the lessee.

Purpose: To encourage construction and operation of Qwest Field & Exhibition Center.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The Seattle Seahawks and soccer teams that utilize the stadium.

Possible Program Inconsistency: Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 67	\$ 68	\$ 70	\$ 72
Local taxes	\$ 59	\$ 60	\$ 61	\$ 63

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

82.29A.130(16) PUBLIC FACILITIES DISTRICTS

Description: Leasehold tax does not apply to interests in property owned by public facilities districts. Facilities covered by the exemption include sports facilities, entertainment venues, conference and convention centers and special events facilities.

Purpose: To encourage construction and utilization of these public facilities.

Category/Year Enacted: Business incentive. 1999

Primary Beneficiaries: Public facility districts and persons who lease 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	\$ 60	\$ 63	\$ 67	\$ 70
Local taxes	\$ 53	\$ 55	\$ 58	\$ 61

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

PROPERTY TAXES

82.29A.130(17) HISTORIC PROPERTY

Description: Exemption from leasehold excise tax is provided for interests in property that is owned by a municipality or the federal government, if it is listed on a federal or state historical register and is located within a designated national historic reserve.

Purpose: To support the social benefits provided by publicly owned historical sites.

Category/Year Enacted: Government. 2005; expanded in 2007.

Primary Beneficiaries: Lessees of historical property within national historic reserves.

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	\$ 48	\$ 57	\$ 59
Local taxes	\$ 31	\$ 42	\$ 50	\$ 51

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

82.29A.130(18) CLARK COUNTY AMPHITHEATER

Description: Exemption from leasehold excise tax is allowed for interests in the public or entertainment areas of an amphitheater with seating capacity of at least 17,000 which is located in a county with a population between 350,000 and 425,000 (i.e., Clark County). The exemption does not extend to private offices used predominately by the lessee.

Purpose: To encourage construction, maintenance and operation of an amphitheater in Clark County.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Lessees of the amphitheater.

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	\$ 41	\$ 0	\$ 0	\$ 0
Local taxes	\$ 36	\$ 0	\$ 0	\$ 0

*Note: by FY 2009 this facility will no longer qualify for the exemption, based on the county population requirements in the statute.

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

PROPERTY TAXES

82.29A.132 2nd NARROWS BRIDGE

Description: Leasehold interests in state route 16 corridor transportation systems and facilities, constructed and operated pursuant to Chapter 47.46 RCW, are exempt from leasehold excise tax. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

Purpose: When adopted, this exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This statute exempted such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is currently contemplated.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. No lease of the facility is currently contemplated.

82.29A.134 R.T.A. SALE/LEASEBACKS

Description: Leasehold interests in property owned by a Regional Transit Authority (R.T.A.) are exempt from leasehold tax, if they are in connection with a sale/leaseback arrangement 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 the investor who acquires equipment by this method.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is understood that Sound Transit has entered into one or two sale/leaseback agreements early on, but that future agreements are unlikely due to a change in policy by the Internal Revenue Service which no longer allows the investor to write-off depreciation of the equipment. In any event, it is assumed that there is no net impact on leasehold tax resulting from this exemption, since there would be no leasehold tax liability for Sound Transit if it had retained actual ownership of the personal property covered by the agreement.

PROPERTY TAXES

82.29A.135 GASOHOL PRODUCTION FACILITIES

Description: Leasehold interests in real and personal property used primarily for manufacturing alcohol fuel, biodiesel fuel, biodiesel feedstock, and wood biomass fuel are exempt from leasehold tax. Firms may apply for the exemption if they are operational before the end of 2009. The exemption is available for six years after the facility is operational.

Purpose: To encourage the production of alcohol for use in gasohol fuel and reduce the reliance on petroleum-based fuel.

Category/Year Enacted: Business incentive. 1980; amended in 2003 to include biodiesel and wood biomass fuel and to establish the 2009 cut-off date for applications.

Primary Beneficiaries: The estimated taxpayer savings are based on a small number of proposed investments on port district property.

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	\$ 28	\$ 138	\$ 145	\$ 152
Local taxes	\$ 24	\$ 121	\$ 127	\$ 134

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

82.29A.136 RESIDENTIAL/RECREATIONAL DEVELOPMENTS

Description: Leasehold interests comprised of three thousand or more residential and recreational lots which are or may be subleased for residential or recreational purposes are exempt from leasehold excise tax and subject instead to property taxes.

Purpose: To treat these lots in a similar manner to other housing and recreational properties. Lessees avoid a processing fee and the properties are governed by the various limits on property tax levies.

Category/Year Enacted: Tax base. 2001

Primary Beneficiaries: Lessees of lots at Lake Cushman which are owned by the City of Tacoma.

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	\$ 156	\$ 199	\$ 233	\$ 216
Local taxes	\$ (232)	\$ (194)	\$ (159)	\$ (291)

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, but only for the leasehold tax; property taxes would decrease. Overall, the lessees are paying somewhat more tax under the property tax than they would under leasehold tax, but this is not expected to continue for the long run.

PROPERTY TAXES

82.29A.137 FACILITIES FOR PRODUCING SUPER-EFFICIENT AIRPLANES

Description: Leasehold interests held by a manufacturer of a super-efficient airplane in property of a port district are exempt from leasehold excise tax. This exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage siting of a facility for production of a super-efficient airplane in Washington. This exemption addresses the possibility that such a facility might be located on port property.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Any manufacturer of such an airplane that locates on port district property.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is believed that no manufacturer has taken advantage of this exemption because facilities have not been built on port district property.

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

82.29A.138 RADIO REPEATERS

Description: Exemption from leasehold excise tax is provided for owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property. These facilities must be available to public agencies that are qualified responders for use in emergency communications.

Purpose: To encourage emergency communication equipment for amateur radio operators.

Category/Year Enacted: Individuals. 2007

Primary Beneficiaries: Amateur radio operators and amateur radio clubs.

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	\$ 3	\$ 3	\$ 3
Local taxes	\$ 2	\$ 3	\$ 3	\$ 3

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

PROPERTY TAXES

IN LIEU EXCISE TAXES - VEHICLE EXCISE TAXES

82.44.010(2) EXCLUDED VEHICLES

Description: The definition of motor vehicle for the state motor vehicle excise tax (repealed in 2000 but assumed to apply to local MVETs) excludes the following: (1) vehicles with exempt licenses; (2) automotive equipment not used on public streets; (3) vehicles and trailers used exclusively on private property; (4) mobile homes and travel trailers; and (5) vehicles owned by nonresident military personnel.

Purpose: This statute covers vehicles which are not intended to be subject to vehicle excise taxes, e.g., those not used on public streets and highways. The exclusion of vehicles of military personnel stationed in Washington reflects the fact that their vehicles were potentially subject to tax in their home state.

Category/Year Enacted: Tax base. 1955 (nonresident military personnel)

Primary Beneficiaries: Nonresident military personnel based in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State tax - repealed in 2000				
Local taxes*	\$ 182	\$ 182	\$ 182	\$ 182

*Impact is based on the only currently existing local MVET, the 0.3% RTA tax.

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

82.44.015 RIDE-SHARING VEHICLES

Description: Exemption from motor vehicle excise tax is provided for passenger vehicles used primarily for commuter ride sharing and transportation of persons with special needs.

Purpose: To encourage commute trip reduction and to alleviate congestion on the state's highways.

Category/Year Enacted: Other. 1980

Primary Beneficiaries: Firms that operate van pools for their employees

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State tax - repealed in 2000				
Local taxes*	\$ 63	\$ 67	\$ 72	\$ 76

*Impact is based on the only currently existing local MVET, the 0.3% RTA tax.

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

PROPERTY TAXES

82.48.100 GOVERNMENT AIRCRAFT

Description: Aircraft owned by and used exclusively in the service of governmental entities are exempt from the state aircraft excise tax. (NOTE: estimate excludes military aircraft.)

Purpose: Reflects the legislative policy of not taxing state/local government property and the constitutional prohibition against taxing the federal government.

Category/Year Enacted: Government. 1949

Primary Beneficiaries: Federal, state (including community colleges) and local governmental entities.

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	\$ 9	\$ 9	\$ 9
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

*Military aircraft are not included in the estimate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No in the case of federal aircraft; unlikely in the case of state/local aircraft.

82.48.100 COMMERCIAL AIRCRAFT

Description: Commercial aircraft engaged in interstate or foreign commerce and aircraft used for purposes of testing or training of crews are exempt from aircraft excise tax.

Purpose: To reflect the constitutional prohibition of taxing property used in interstate commerce and to encourage the development of experimental aircraft and use of aircraft for training by aircraft manufacturers and sellers in Washington.

Category/Year Enacted: Commerce. 1949

Primary Beneficiaries: Airline companies and aircraft manufacturers.

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	\$ 53	\$ 53	\$ 53
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

*Commercial aircraft are not included in the estimates.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No in the case of commercial aircraft; revenues from experimental and training planes would be minimal.

PROPERTY TAXES

82.48.100 AIRCRAFT HELD FOR SALE

Description: Aircraft held for sale, exchange, delivery, etc. or for demonstration purposes solely as stock in trade by a licensed aircraft dealer are exempt from the aircraft excise tax.

Purpose: The exemption treats aircraft held for sale the same as business inventories which are exempt from personal property tax.

Category/Year Enacted: Other business. 1955

Primary Beneficiaries: Aircraft dealers.

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	\$ 6	\$ 6	\$ 6	\$ 6
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

82.48.100 NONRESIDENT AIRCRAFT

Description: Exemption from aircraft excise tax is allowed for planes owned by nonresidents, which are located at an airport that is jointly owned by governmental entities of Washington and another state.

Purpose: Provides an economic incentive for Idaho residents to base their privately owned airplanes at the Moscow-Pullman airport.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Nonresident owners of airplanes based at the Moscow-Pullman airport.

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	\$ 2	\$ 2	\$ 2
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely, such owners could simply relocate such planes to their home state.

PROPERTY TAXES

82.49.020 **SMALL BOATS**

Description: Certain vessels are exempt from the 0.5 percent state watercraft excise tax: military or other boats owned by the federal government; state and local government vessels; boats with less than 10 horsepower motors; boats under 16 feet in length with no motor; all human-powered boats; vessels temporarily located in the state for repair; and documented vessels that are primarily engaged in interstate commerce.

Purpose: The exemption of commercial vessels is intended to avoid creating an impermissible burden on interstate commerce and to recognize the prohibition against directly taxing the federal government. The exemption of small and human-powered boats is intended to minimize administrative costs.

Category/Year Enacted: Individuals. 1983

Primary Beneficiaries: Owners of small boats.

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	\$ 1,962	\$ 2,096	\$ 2,238	\$ 2,391
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

*Estimates reflect only boats under 16 feet in length and human-powered boats.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes; however administration costs could be high for small, privately-owned watercraft.

82.50.520(1-4) **TRAVEL TRAILERS AND CAMPERS**

Description: This statute provides that certain travel trailers and camper units are not subject to the provision of Chapter 82.50 RCW. These include: (1) unoccupied units held in inventory by a manufacturer or dealer; (2) units owned by any governmental entity; (3) units owned by nonresidents if licensed in another state; and (4) travel trailers used with a dealer's license plate. Chapter 82.50 RCW previously imposed a state tax of 1.1 percent on travel trailers and campers. However, the tax-related portions of this chapter were repealed by the Legislature in 2000 along with the motor vehicle excise tax.

Purpose: No longer relevant.

Category/Year Enacted: Individuals. 1971

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) No impact, as the state tax has been repealed (although the statute containing these exemptions remains in the law).

PROPERTY TAXES

IN LIEU EXCISE TAXES - TIMBER EXCISE TAX

84.33.075 NONPROFIT YOUTH ORGANIZATIONS

Description: Timber harvested on lands owned by a nonprofit, social service organization is exempt from timber tax, if the land is exempt from property tax and the income from the timber sales is used to promote, operate, and maintain youth programs. The exemption is only available if the youth programs are available to all youth, regardless of race, color, national origin, ancestry or religion.

Purpose: To reduce the cost of operating youth programs by nonprofit organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1980

Primary Beneficiaries: A few organizations have utilized the exemption; only one does so consistently. Typically, this involves the removal of damaged or dangerous trees from camp facilities.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal.

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

84.33.077 CREDIT, PROPERTY TAX ON PUBLIC TIMBER

Description: Standing timber under contract for harvest on nonfederal public lands is subject to personal property tax and the timber excise tax. However, timber on private and federal land is only subject to the timber excise tax. This exemption allows the harvester to credit the amount of property tax paid on timber on nonfederal public lands against the timber excise tax due.

Purpose: To lessen the revenue impact on timber dependent counties. A property tax shift to non-timber property and a potential loss of revenue to taxing districts was avoided by maintaining the property tax and allowing the credit against the timber tax.

Category/Year Enacted: Other. 1983

Primary Beneficiaries: Approx. 100 regular purchasers of public timber. Also, owners of nontimber property who might otherwise experience an increase in property taxes and local governments.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) In 2005, the timber tax on harvest on public lands began to be distributed to counties and is being phased in over 10 years. As a result, this credit is no longer utilized.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but this would increase property taxes for other taxpayers in counties with substantial state timber lands.

PROPERTY TAXES

84.33.0775 CREDIT, SALMON HABITAT

Description: A tax credit is provided against the state portion of the timber excise tax for timber harvested on land that is subject to enhanced aquatic resource requirements, such as riparian zones, steep or unstable slopes, etc. The credit effectively lowers the overall 5.0 percent state tax to 4.2 percent.

Purpose: To help offset the costs to timber owners associated with setting aside larger timber buffers and other forest management practices intended to protect the environment, including salmon habitat.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Timber owners (and the salmon)

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	\$ 6,663	\$ 6,393	\$ 6,393	\$ 6,393
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

84.33.0776 CREDIT FOR QUINAULT TRIBAL TIMBER TAX

Description: The Governor is authorized to enter into a cooperative agreement with the Quinault Nation relating to a timber excise tax on timber harvested on fee lands within the boundaries of the Quinault reservation. The state and counties currently levy a combined tax of 5.0 percent on timber harvested on public and private lands. Under this agreement, the counties would continue to receive their share of the timber tax receipts; the tribe would receive the state's share.

Purpose: To enable the Quinault Nation to benefit from the timber excise tax.

Category/Year Enacted: Government. 2007

Primary Beneficiaries: The Quinault Nation.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) As of this date, no agreement has yet been finalized. It is not known when such a tribal timber tax might be imposed, resulting in the state revenues going to the tribe. There would be no change in tax liability of timber harvesters and hence no taxpayer savings.

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

PROPERTY TAXES

84.33.086 \$50 MINIMUM TIMBER TAX

Description: Any timber harvester incurring less than \$50 in timber tax liability per quarter is excused from payment of the timber excise tax.

Purpose: To support smaller harvesters and to reduce administrative costs for harvesters and the Department.

Category/Year Enacted: Other business. 1984, increased from \$10 to \$50 in 1987.

Primary Beneficiaries: Small timber harvesters, mostly harvesters of timber on private lands.

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	\$ 1	\$ 1	\$ 1
Local taxes	\$ 5	\$ 5	\$ 5	\$ 5

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

84.33.170 CHRISTMAS TREES AND COTTONWOODS

Description: Christmas trees and short-rotation hardwoods, such as cottonwoods, that are grown by agricultural methods are not subject to timber excise tax. However, when such trees are cultivated on land classified under Chapter 84.34 RCW as timber land, they are subject to timber excise tax.

Purpose: To recognize that these products are considered as being similar to agricultural products which are not subject to a tax on their harvest value.

Category/Year Enacted: Agriculture. 1971 (Christmas trees) and 1995 (short-rotation hardwoods)

Primary Beneficiaries: Approximately 420 growers of Christmas trees and 10 producers of hardwoods.

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	\$ 66	\$ 66	\$ 66	\$ 66
Local taxes	\$ 264	\$ 264	\$ 264	\$ 264

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

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.

BUSINESS TAXES

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.

BUSINESS TAXES

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.

BUSINESS TAXES

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.

BUSINESS TAXES

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.

BUSINESS TAXES

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 assist 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.

B&O TAX EXEMPTIONS - BUSINESS ACTIVITIES

82.04.062 PRECIOUS METALS & BULLION

Description: Sales of precious metals and monetized bullion are exempt from B&O tax. However, dealers of such metals and bullion are subject to B&O tax under the service classification on any commissions they receive for buying and selling precious metals on behalf of customers.

Purpose: To provide relief from retail sales tax for dealers that were in competition with precious metals dealers in other states where such transactions are not subject to sales tax.

Category/Year Enacted: Other business. 1985

Primary Beneficiaries: Coin and bullion dealers.

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	\$ 608	\$ 620	\$ 632	\$ 645
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? To some degree. The industry argues that purchases can easily be made via mail order and the Internet and that the tax would drive purchases out of state. However, under the Streamlined Sales Tax Agreement, an increasing number of interstate purchases by Washington residents will become taxable in the future.

BUSINESS TAXES

82.04.110 ALUMINUM MASTER ALLOYS

Description: Persons who produce aluminum master alloys are considered as processors for hire rather than manufacturers, regardless of the portion of aluminum provided by their customers. As a result, these producers are taxed on the amounts they charge customers for processing. If they were considered to be manufacturers, they would instead be taxed on the total market value of the finished product.

Purpose: To provide tax relief to the aluminum industry.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: One firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

82.04.120 SEAFOOD PROCESSING

Description: The definition of "to manufacture" for B&O tax purposes excludes cutting, grading or ice glazing of seafood that has been cooked, frozen or canned outside of Washington. As a result, seafood processors who perform these activities on their own seafood are not subject to manufacturing B&O tax. (NOTE: all manufacturing and processing activities relating to seafood are temporarily exempt from B&O tax pursuant to RCW 82.04.4269 through fiscal year 2012. Starting on July 1, 2012 manufacturing of seafood will again be subject to tax at a rate of 0.138 percent.)

Purpose: To encourage these activities and the associated jobs to take place within Washington.

Category/Year Enacted: Business incentive. 1975

Primary Beneficiaries: Fewer than 10 firms.

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	\$ 2	\$ 2	\$ 2
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.120 SEED CONDITIONING

Description: The definition of "to manufacture" for B&O tax purposes excludes conditioning of seed for use in planting. The term "seed" may be applied to a wide variety of plant products and includes those intended for home use as well as agricultural applications. Persons who condition seed for others or for resale to farmers are also exempt from B&O tax per RCW 82.04.331.

Purpose: To encourage such businesses to locate in Washington.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Firms that prepare and distribute seed.

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	\$ 198	\$ 208	\$ 218	\$ 229
Local taxes - not considered.				

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

82.04.120 HAY CUBING

Description: The definition of "to manufacture" for B&O tax purposes excludes the activity of cubing hay or alfalfa (i.e., compacting hay into very small "cubes" to facilitate shipping, principally to foreign markets). As a result, farmers who cube these items for sale at wholesale are not subject to B&O tax on this income. Persons who cube hay/alfalfa for others are taxed under the service classification if the activity takes place on the grower's land and under wholesaling when the activity is performed elsewhere.

Purpose: To improve the competitive position of Washington firms that cube hay for export.

Category/Year Enacted: Agriculture. 1997

Primary Beneficiaries: Approximately 5 firms engaged in this activity.

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	\$ 224	\$ 224	\$ 224	\$ 224
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.2403 FISH CLEANING

Description: B&O tax exemption is provided for the cleaning of fresh-water fish. Cleaning is defined as the removal of the head, fins, or viscera from the fish without further processing.

Purpose: To support the fishing industry.

Category/Year Enacted: Business incentive. 1994

Primary Beneficiaries: A very small number of firms benefit from this exemption.

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	\$ 11	\$ 11	\$ 11	\$ 11
Local taxes - not considered.				

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

82.04.255 SHARED REAL ESTATE COMMISSIONS

Description: This statute allows real estate brokerage offices to pay tax only on their share of commissions when multiple brokerage offices participate in a transaction. Individual associate brokers and salespersons are not subject to B&O tax where the brokerage office has paid tax on the gross commission. Charges to associate brokers to recover expenses or for use of facilities are not included within this exemption and represent taxable income to the broker.

Purpose: To eliminate pyramiding of B&O tax on shared commissions.

Category/Year Enacted: Other business. 1970

Primary Beneficiaries: Real estate brokers and agents.

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	\$ 19,754	\$ 20,649	\$ 21,584	\$ 22,562
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, although some associates would likely be reclassified as employees to avoid the tax.

BUSINESS TAXES

82.04.280 RENTAL OF REAL ESTATE

Description: Originally in 1935, RCW 82.04.390 included the prohibition against taxing income derived from the rental of real estate. In 1959 RCW 82.04.280 was amended to subject the rental of real estate to B&O tax at a rate of 0.25 percent. The following year the State Supreme Court ruled the tax to be unconstitutional in *Apartment Operators Association of Seattle v. Schumacher*, 56 Wn. 2d 46.

Purpose: The Court held that the B&O tax on rental income constituted a tax on property. The State Constitution requires that property taxes be levied uniformly and the B&O tax, in addition to property taxes, would result in non-uniform taxation.

Category/Year Enacted: Other business. 1935; reaffirmed by the Court in 1960.

Primary Beneficiaries: Owners of residential and commercial property which is rented or leased.

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	\$ 48,191	\$ 49,926	\$ 51,723	\$ 53,585
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Not unless the Court reversed its opinion.

82.04.310(1) PUBLIC UTILITIES

Description: Business activity that is subject to the state public utility tax is exempt from B&O tax. The public utility tax is imposed on income from certain public service businesses, such as light and power, water distribution, and air, water and motor transportation.

Purpose: To guarantee that income subject to the public utility tax is not also subject to the B&O tax, because the utility tax is in lieu of B&O tax. However, public service businesses are taxable under the B&O tax for income derived from activities that are not subject to utility tax, e.g. retail sales of tangible personal property.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Private and municipal utilities and transportation providers.

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	\$ 47,800	\$ 50,200	\$ 52,700	\$ 55,300
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.310(2) SALES OF ELECTRICITY FOR RESALE

Description: B&O tax does not apply to amounts received by any person for the sale of electrical energy that is purchased for resale within or outside of the state.

Purpose: Neither the public utility nor the B&O tax previously allowed a deduction for the sale of electricity by a light and power business to a non-light and power business if the energy is for resale, regardless of whether that resale will be back to a light and power business or to an end-user. These types of transactions were not contemplated at the time the public utility tax statutes were originally written. This exemption assures that the electricity is subject to tax only once by the original producer.

Category/Year Enacted: Tax base. 2000

Primary Beneficiaries: Businesses engaging in sales or trade agreements with respect to electricity.

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	\$ 45,700	\$ 48,000	\$ 50,400	\$ 52,900
Local taxes - not considered.				

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

82.04.315 INTERNATIONAL BANKING FACILITIES

Description: B&O tax exemption is provided for the income of international banking facilities (IBF) located in Washington. An IBF means a branch or agency of a foreign bank, a set of segregated accounts for international banking maintained by a commercial bank with its principal office located in this state, or an Edge corporation or qualifying agreement corporation under section 25 of the Federal Reserve Act.

Purpose: To encourage international trade transactions through Washington financial institutions.

Category/Year Enacted: Business incentive. 1982

Primary Beneficiaries: Banks headquartered in this state which provide international banking services.

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	\$ 545	\$ 572	\$ 601	\$ 631
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.317 WHOLESALE AUTO AUCTIONS

82.04.422(1)

Description: Sales of motor vehicles by motor vehicle manufacturers, their financial subsidiaries (at least 50 percent owned by the manufacturer), and vehicle dealers are exempt from wholesaling B&O tax, if the sales take place at a wholesale auto auction and the purchaser is a vehicle dealer.

Purpose: To encourage out-of-state auto manufacturers to sell their rental and lease return vehicles and other surplus vehicles at wholesale auctions conducted in this state.

Category/Year Enacted: Other business. 1997 and 2001

Primary Beneficiaries: Auto manufacturers, vehicle dealers and firms that conduct wholesale auto auctions.

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	\$ 987	\$ 1,054	\$ 1,125	\$ 1,202
Local taxes - not considered.				

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

82.04.320 INSURANCE PREMIUMS

Description: Income that is subject to the state insurance premiums tax is exempt from B&O tax.

Purpose: To avoid subjecting insurance premiums to more than one state business tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Insurance companies and ultimately policy holders.

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	\$364,851	\$383,094	\$402,248	\$422,361
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.322 HEALTH MAINTENANCE ORGANIZATIONS

Description: Health maintenance organizations, health care service contractors and certified health plans are exempt from B&O tax on income that is subject to the state insurance premiums tax.

Purpose: To avoid subjecting insurance premiums to more than one state business tax.

Category/Year Enacted: Tax base. 1993

Primary Beneficiaries: HMOs, HCSCs and CHPs and their members.

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	\$152,264	\$160,638	\$169,473	\$178,794
Local taxes - not considered.				

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

82.04.330 AGRICULTURAL PRODUCERS

82.04.410

Description: B&O tax exemption is provided for farmers who grow, raise, or produce agricultural products for sale at wholesale. Agricultural products are defined in RCW 82.04.213 to include any product of plant cultivation or animal husbandry, plantation Christmas trees, animals, birds, insects and fish, as well as the products obtained from animals, such as eggs, milk and honey. RCW 82.04.410 specifically exempts hatching eggs and poultry used in production of poultry products.

Purpose: To aid an industry that was severely depressed in 1935 when the exemption was enacted. The exemption recognizes the low profit margins and high transportation costs faced by most farmers. Furthermore, farmers in Washington have little ability to affect the prices for their products which are determined by national markets, and thus they cannot pass on the tax to their customers.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Approximately 30,000 producers of agricultural products. However, only about 10,000 - 12,000 of these would have taxable income in excess of the small business tax 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	\$ 30,524	\$ 31,440	\$ 32,383	\$ 33,354
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, although registration of many small and part-time farming operations would be required.

BUSINESS TAXES

82.04.330 CHRISTMAS TREE PRODUCERS **82.04.100**

Description: Income associated with extraction and wholesaling of plantation Christmas trees is exempt from B&O tax. Only Christmas trees grown by agricultural methods qualify for the exemption.

Purpose: To recognize that production of Christmas trees is similar to other agricultural production.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Approximately 420 growers of Christmas trees.

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	\$ 322	\$ 367	\$ 419	\$ 477
Local taxes - not considered.				

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

82.04.331 WHOLESALING CONDITIONED SEED

Description: B&O tax exemption is provided to persons making wholesale sales to farmers of seed that is conditioned for use in planting. The exemption is also provided for conditioning seed that is owned by other persons. The exemption does not apply to seed packaged for retail sale, flower or vegetable seeds, or seeds or portions of plants used to grow ornamental flowers, shrubs, trees, ferns or mosses.

Purpose: To assist firms that provide seed for use in commercial agriculture.

Category/Year Enacted: Agriculture. 1998

Primary Beneficiaries: The seed conditioning industry.

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	\$ 865	\$ 882	\$ 900	\$ 918
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.332 WHOLESALE OF GRAIN

Description: Wholesale sales of unprocessed milk and various types of grain and other agricultural products, including wheat, oats, barley, dry peas, dry beans, lentils and triticale, are exempt from B&O tax. The exemption does not extend to wholesale sales of products manufactured from these products. Farmers who produce and sell such items at wholesale are already exempt under RCW 82.04.330; this exemption covers subsequent wholesale sales.

Purpose: To assist agriculture.

Category/Year Enacted: Agriculture. 1998. Previously, this activity was subject to a very low B&O tax rate. As part of a consolidation of tax rates, this category was entirely exempted in 1998. Unprocessed milk was added in 2007.

Primary Beneficiaries: Approximately 690 firms previously reported under this classification.

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*	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,100
Local taxes - not considered.				

*Estimate based on the existing wholesaling tax rate of 0.484%.

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

82.04.334 EXCLUSION OF STANDING TIMBER

Description: Sales of standing timber where the harvesting is required within 30 months by the contract of sale were transferred from the real estate excise tax (REET) to the B&O tax in 2007. Timber slated for harvesting within 30 months was exempt from REET, so this statute continues the same treatment.

Purpose: To continue the exemption previously provided under the REET.

Category/Year Enacted: Other business. 2007

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

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The extent of this new exclusion is not known.

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

BUSINESS TAXES

82.04.335 AGRICULTURAL FAIRS

Description: Nonprofit organizations that conduct agricultural fairs are exempt from B&O tax. The exemption applies only during the time the fair is actually open to the public and does not include income from admissions to specific exhibits, entertainment or other business activities conducted with the fairgrounds by third party concessionaires.

Purpose: To support agricultural fairs.

Category/Year Enacted: Agriculture. 1965

Primary Beneficiaries: Currently, there are 69 county or community fairs or youth livestock shows.

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	\$ 402	\$ 406	\$ 410	\$ 414
Local taxes - not considered.				

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

82.04.337 EXPORTED PROCESSED HOPS

Description: B&O tax exemption is allowed for the sale of hops that are processed into extract, pellets or powder in this state and then shipped outside the state for first use. Income received for other types of processing or warehousing hops is not exempt from the tax.

Purpose: To recognize that processing of hops into extract, pellets or powder is merely to facilitate shipment of the product and does not constitute a manufacturing activity.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Hop growers and approximately eight processing firms.

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	\$ 373	\$ 376	\$ 378	\$ 380
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.340 BOXING & WRESTLING MATCHES

Description: Persons that conduct boxing, kickboxing, martial arts or wrestling matches that are licensed by the Department of Licensing are exempt from B&O tax on such income.

Purpose: To recognize that this income is subject to the 5.0 percent boxing and wrestling tax in RCW 67.08.105.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Promoters of these events.

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	\$ 23	\$ 23	\$ 24
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely, since the income is already subject to a higher gross receipts tax.

82.04.350 HORSE RACING

Description: Persons who conduct horse racing events that are licensed by the State Horse Racing Commission are exempt from B&O tax, except for the special surtax attributable to RCW 82.04.286(1). The surtax, enacted in 2005, applies an additional B&O tax of 0.13 percent to the income derived from pari-mutuel wagering and other games of chance.

Purpose: To exempt income that is taxable under the parimutuel tax (RCW 67.16.105).

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Horse racing tracks. Emerald Downs is the only track currently in operation.

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	\$ 2,146	\$ 2,146	\$ 2,146	\$ 2,146
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely, since the income is subject to parimutuel tax. Although pari-mutuel wagering receipts are subject to both pari-mutuel tax and the 0.13 percent B&O surtax, they are not subject to the regular B&O tax under the service classification.

BUSINESS TAXES

82.04.360 INCOME OF EMPLOYEES

Description: Income derived by employees from the performance of services in the capacity of an employee or servant is exempt from B&O tax.

Purpose: The B&O tax applies to the privilege of engaging in business. Employees do not generally exercise the same degree of full and independent responsibility as do owners of a firm. Therefore, employees are not considered as engaging in business. Further, in the absence of this exemption, a gross receipts tax applied to wages and salaries might be considered as a personal income tax which, under prevailing rulings of the State Supreme Court, is not permissible without a constitutional amendment.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Employees

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	\$1,246,274	\$1,325,456	\$1,387,808	\$1,453,092
Local taxes - not considered.				

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

82.04.360 LIFE INSURANCE EMPLOYEES

Description: Persons who meet the Internal Revenue Code definition of "statutory employee" are considered employees for purposes of B&O tax liability and thus are exempt. Statutory employees are independent contractors for federal income tax purposes but receive W-2s and have Social Security taxes withheld. A statutory employee must sell life insurance on a full-time basis and work primarily for one company.

Purpose: To establish a distinction between employees, whose wages are not subject to B&O tax, and independent contractors who are subject to the tax.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: Approximately 3,900 sellers of life insurance.

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	\$ 715	\$ 774	\$ 833	\$ 887
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although there could be compliance difficulties in locating these sellers.

BUSINESS TAXES

82.04.390 REAL ESTATE SALES

Description: B&O tax does not apply to proceeds derived from the sale of real estate. However, the tax does apply to commissions, fees and interest relating to real estate sales. (NOTE: sales of real property are subject to the state and local real estate excise taxes.)

Purpose: To reflect the legislative policy of not considering the sale of real property as constituting "engaging in business."

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Sellers (and buyers) of real property.

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	\$411,365	\$436,047	\$462,210	\$489,942
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
It is unlikely that B&O tax would apply to sales of real property, while the Court has determined that B&O tax cannot apply to the rental of real property (1960 decision, see RCW 82.04.280 above).

82.04.392 INCOME FROM TRUST ACCOUNTS

Description: B&O tax exemption is provided for amounts received by mortgage brokers from trust accounts for third-party costs. The trust account must be operated in accordance with RCW 19.146.050 and any rules adopted by the Department of Financial Institutions.

Purpose: To treat these items like a tax-exempt pass-through, rather than as income to the institutions.

Category/Year Enacted: Other business. 1997

Primary Beneficiaries: Mortgage brokers receiving payments through trust accounts.

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	\$ 1,168	\$ 1,215	\$ 1,264	\$ 1,315
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.394 ON-SITE PROPERTY MANAGEMENT

Description: B&O tax exemption is allowed for amounts received by a property management company, if the payments are received from a property management trust account for payment of wages and benefits to on-site personnel.

Purpose: To treat these amounts as a tax-exempt pass-through. Even though on-site personnel are supervised by the management company, the wages are ultimately the obligation of the owner.

Category/Year Enacted: Tax base. 1998

Primary Beneficiaries: Property management companies

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	\$ 9,724	\$ 9,724	\$ 9,724	\$ 9,724
Local taxes - not considered.				

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

82.04.405 FEDERALLY-CHARTERED CREDIT UNIONS

Description: Credit unions organized under federal law are exempt from B&O tax.

Purpose: The Federal Credit Union Act prohibits state taxation of federally chartered credit unions. Accordingly, the exemption was established when the B&O tax was extended to financial institutions.

Category/Year Enacted: Other business. 1970

Primary Beneficiaries: Approximately 55 credit unions with federal charters.

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	\$ 3,455	\$ 3,662	\$ 3,882	\$ 4,115
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.405 STATE-CHARTERED CREDIT UNIONS

Description: Credit unions organized pursuant to state law are exempt from B&O tax.

Purpose: To provide comparable tax treatment with federally-chartered credit unions.

Category/Year Enacted: Other business. 1970

Primary Beneficiaries: Approximately 78 state-chartered credit unions.

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	\$ 22,584	\$ 23,939	\$ 25,376	\$ 26,898
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely; state-chartered credit unions could simply apply for federal charters.

82.04.416 2nd NARROWS BRIDGE

Description: Income derived from the operation of state route #16 corridor transportation systems and facilities which are constructed and operated under Chapter 47.46 RCW is exempt from B&O tax. This statute addresses the second bridge across the Tacoma Narrows. It exempts any income received by an operator of the bridge tolling systems. The state contracts with a private firm to operate the toll booths. The income the state pays to the firm will be exempt from B&O tax under this statute. (The actual toll receipts are considered as receipts of the state and are not subject to state business tax.)

Purpose: To lower the overall cost of operation of the bridge and encourage a private firm to enter into a contract with the state to operate the facility.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: Businesses that contract with the state to operate the bridge toll facilities and ultimately the drivers who utilize the facility.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) There is only one operator of the toll booths on this bridge and therefore the amount of B&O tax attributable to this exemption cannot be publicly stated.

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

BUSINESS TAXES

82.04.421 GROUP DISCOUNT PURCHASES

Description: Memberships in a qualifying discount program are exempt from B&O tax, if the seller delivers the membership materials to a point outside the state.

Purpose: To provide tax relief to Washington firms that sell discount purchase memberships to residents of other states.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: A single firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes; however, the firm could easily shift its sales to nonresidents to a location outside of this state.

82.04.422(2) ACCOMMODATION SALES OF AUTOS

Description: Exemption from wholesaling B&O tax is provided for dealers of motor vehicles for new vehicles sold at wholesale to other dealers who, in turn, make sales of the same make of vehicle.

Purpose: To recognize that these sales are for the convenience of dealers to enable them to meet customer demand and do not represent profit for the seller.

Category/Year Enacted: Tax base. 2001, revised in 2004.

Primary Beneficiaries: Dealers of new motor 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	\$ 1,759	\$ 1,877	\$ 2,005	\$ 2,142
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.423 DIRECT SELLERS

Description: The gross income of businesses selling consumer products in Washington exclusively to or through direct seller's representatives is exempt from B&O tax. The business must not own or lease real property in this state, regularly maintain a stock of goods in this state, be incorporated under Washington law, or operate a permanent retail establishment in this state. (Commissions received by the sales representatives are subject to B&O tax.)

Purpose: To stimulate trade and encourage out-of-state manufacturers to use Washington-based agents.

Category/Year Enacted: Other business. 1983

Primary Beneficiaries: Out-of-state manufacturers that conduct business in Washington through independent sales representatives.

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	\$ 6,025	\$ 6,373	\$ 6,742	\$ 7,132
Local taxes - not considered.				

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

82.04.424 SELLERS WITH LIMITED CONNECTION TO WASHINGTON

Description: Taxpayers are exempt from B&O tax if their in-state activities consist solely of advertising, taking orders for products, or processing payments and these activities are conducted via a website on a computer server that is located in Washington but is owned and operated by another firm.

Purpose: At the time this exemption was enacted, these activities were protected from state taxes by the federal Internet Tax Freedom Act (ITFA) which has been reenacted and is currently in effect. (And was recently extended by Congress in late 2007.) This exemption was enacted in state law in case the ITFA is not re-enacted by Congress.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: A very small number of firms might benefit from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None, since the ITFA has been extended.

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

BUSINESS TAXES

82.04.425 ACCOMMODATION SALES

Description: B&O tax does not apply to wholesale sales between businesses regularly selling the same type of property, provided the sale is at cost and the buyer has an existing order for the product from a customer. The exemption also applies if the sale occurs within 14 days as a reimbursement in-kind for a previous accommodation sale. Additionally, if a wholly-owned subsidiary sells goods to its parent company, and the parent sells the goods in a transaction that is exempt by reason of RCW 82.08.0262, and the parent pays B&O tax, then the sale by the subsidiary to the parent is exempt from B&O tax.

Purpose: To exempt wholesale sales made between businesses solely for the purpose of adjusting inventories in order to satisfy customer demand.

Category/Year Enacted: Tax base. 1955

Primary Beneficiaries: Firms that make accommodation sales to other firms and corporations with wholly-owned subsidiaries who both manufacture and sell transportation 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	\$ 90	\$ 96	\$ 102	\$ 109
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, although it is unlikely that firms would make accommodation sales to other sellers if they were required to pay B&O tax on such sales.

82.04.426 MANUFACTURING OF SEMICONDUCTOR MICROCHIPS

Description: Firms that manufacture semiconductor microchips are exempt from B&O tax for nine years. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings/equipment amounting to at least \$1 billion. This criterion has yet to be met and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective; it will expire nine years after the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to the state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None to date.

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

BUSINESS TAXES

82.04.4261 FEDERAL SMALL BUSINESS INNOVATION GRANTS

Description: Exemption from B&O tax is allowed for grants received from the federal government via the Small Business Innovation Research program.

Purpose: To encourage technological research by small businesses.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: It is believed that only two firms presently qualify.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact cannot be disclosed.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however, this activity would likely also be covered by the high technology B&O tax credit.

82.04.4262 FEDERAL SMALL BUSINESS TECHNOLOGY TRANSFER GRANTS

Description: Grants received from the federal government under the small business technology transfer program are exempt from B&O tax.

Purpose: To encourage small businesses and development of new technologies.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Approx. 10 – 15 grantees per year.

Possible Program Inconsistency: Possible “double-dipping” in conjunction with the high technology B&O tax credit.

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

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

BUSINESS TAXES

82.04.4266 MANUFACTURING/PROCESSING FRUIT & VEGETABLES

Description: B&O tax exemption was established on July 1, 2005 for firms that manufacture or process fresh fruits or vegetables. Eligible activities include canning, preserving, freezing, processing or dehydrating of these agricultural products. The exemption also applies to firms that conduct these activities but sell the products to buyers who transport the products outside the state. The exemption is scheduled to expire on July 1, 2012, at which time these activities will again become taxable under the 0.138 percent rate classification.

Purpose: To assist agriculture.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: In 2006 there were 40 firms that reported they utilized this exemption.

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	\$ 4,700	\$ 4,841	\$ 4,986	\$ 5,136
Local taxes - not considered.				

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

82.04.4267 PARKING & BUSINESS IMPROVEMENT AREAS

Description: Amounts received by a chamber of commerce or similar organization for operation of a parking and business improvement area pursuant to RCW 35.87A.110 are exempt from state B&O tax.

Purpose: To assist local governments in providing infrastructure in business development areas.

Category/Year Enacted: Other business. 2005

Primary Beneficiaries: Local governments with business improvements areas.

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	\$ 85	\$ 87	\$ 92	\$ 96
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4268 MANUFACTURING/WHOLESALE OF DAIRY PRODUCTS

Description: Exemption from B&O tax is provided for manufacturers of dairy products, as well as wholesalers of such products that are shipped out of state. Eligible products include byproducts from manufacturing of dairy products, such as whey and casein. This exemption is scheduled to expire on July 1, 2012 at which time this activity will become taxable under the 0.138 percent rate classification.

Purpose: To encourage the production of milk and dairy products.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approximately 10 dairies.

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	\$ 3,444	\$ 3,565	\$ 3,690	\$ 3,819
Local taxes - not considered.				

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

82.04.4269 PROCESSING OF SEAFOOD PRODUCTS

Description: B&O tax exemption is provided for manufacturers of seafood products that remain in a raw, raw frozen, or raw salted state, when the manufacturing process is completed. This exemption will expire on July 1, 2012 at which time seafood products manufacturing will again become taxable under the 0.138 percent rate classification.

Purpose: To support the seafood processing industry.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approx. 110 firms.

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	\$ 3,597	\$ 3,812	\$ 4,041	\$ 4,284
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.601 DISCOUNTS FOR STAMPING OF CIGARETTES

Description: B&O tax does not apply to reimbursement that wholesalers receive from the state when they affix tax stamps on packages of cigarettes. Historically, cigarette wholesalers did not pay tax on such reimbursement, but the law did not specifically exempt such income.

Purpose: To codify pre-existing practices.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Approx. 50 cigarette wholesalers.

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	\$ 6	\$ 6	\$ 6
Local taxes - not considered.				

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

82.04.610 INTERSTATE COMMERCE – IMPORT & EXPORT SHIPMENTS

Description: This new statute codifies the practice of the Department of Revenue over many decades, relating to import-export transactions. It clarifies in state statute the U.S. Constitutional prohibition against taxation of interstate commerce.

Purpose: To affirm in state law the constitutional prohibition against taxing interstate commerce.

Category/Year Enacted: Commerce. 2007

Primary Beneficiaries: Firms that ship products across Washington's boundaries.

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	\$ 68,711	\$ 72,147	\$ 75,754	\$ 79,542
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.625 CUSTOM FARM AND FARM MANAGEMENT SERVICES

Description: Exemption from B&O tax is provided for custom farming services and farm management services, in situations where the person providing the services is related to the owner or lessor of the land.

Purpose: To provide tax relief to persons that provide custom farm services for their relatives.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons that provide custom farm services for their relatives.

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	\$ 58	\$ 58	\$ 58
Local taxes - not considered.				

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

82.32.045(4) \$28,000 MINIMUM TO FILE EXCISE TAX RETURN

Description: Firms whose gross income is less than \$28,000 annually are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax. The minimum amount is equal to the amount of annual income below which there would be no B&O tax liability under the service classification as a result of the small business tax credit in RCW 82.04.4451.

Purpose: To reduce administrative costs for taxpayers and the Department of Revenue.

Category/Year Enacted: Other business. 1996.

Primary Beneficiaries: Small businesses.

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	\$ 41,000	\$ 41,000	\$ 41,000	\$ 41,000
Local taxes - not considered.				

NOTE: because of the many active, nonreporting businesses that no longer file tax returns, it is very difficult to accurately estimate this impact.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although tax administration costs would increase to process the many tax returns for very small firms.

BUSINESS TAXES

B&O TAX EXEMPTIONS - NONPROFIT ORGANIZATIONS

82.04.324 BLOOD, BONE AND TISSUE BANKS

Description: B&O tax exemption is provided for nonprofit blood, bone or tissue banks for income that is exempted from federal income tax.

Purpose: To support the activities of these entities.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Approximately three entities are eligible for the exemption.

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	\$ 945	\$ 973	\$ 1,002	\$ 1,032
Local taxes - not considered.				

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

82.04.326 ORGAN PROCUREMENT

Description: B&O tax exemption is allowed for nonprofit organ procurement organizations on income which is exempt from federal income tax.

Purpose: To extend the same tax treatment available to blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: Nonprofit organizations that locate and obtain human organs for transplant operations.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.04.327 ADULT FAMILY HOMES

Description: Homes that provide a protected family-like environment for adult clients with developmental, physical or other disabilities are exempt from B&O tax. To qualify the home must be licensed by DSHS but does not necessarily have to be a nonprofit organization.

Purpose: To reduce the cost of operating these facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1987

Primary Beneficiaries: Approximately 2,140 homes.

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	\$ 374	\$ 374	\$ 374	\$ 374
Local taxes - not considered.				

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

82.04.338 SERVICES FOR HOP COMMISSION

Description: Income derived from business activities performed for a hop commodity commission or hop commodity board is exempt from B&O tax, as long as the entity performing the service is a nonprofit organization for federal income tax purposes.

Purpose: To support the activities of such organizations and the commission/board for whom they provide services.

Category/Year Enacted: Agriculture. 1998

Primary Beneficiaries: It is believed that a single nonprofit entity does work for the Hop Commission.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.04.339 CHURCH DAY CARE

Description: B&O tax does not apply to day care centers operated in churches, if the care is provided for less than 24 consecutive hours.

Purpose: To reduce the cost of operating such facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1992

Primary Beneficiaries: Approximately 315 day care centers and (presumably) their clients.

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	\$ 1,415	\$ 1,493	\$ 1,575	\$ 1,662
Local taxes - not considered.				

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

82.04.3395 CHILD CARE RESOURCES AND REFERRAL

Description: Nonprofit child care resource and referral services are exempt from B&O tax on income received for services which link families with licensed child care providers. Also exempt is any income received for recruiting, training and supporting child care providers and work with businesses and communities regarding child care issues.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Approximately 18 child care resource and referral offices, many of which are housed under an umbrella organization such as a community action 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	\$ 14	\$ 14	\$ 15	\$ 15
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.355 RIDE SHARING

Description: B&O tax exemption is provided for non-fee income received by nonprofit social service organizations, van pools and car pools that provide transportation services for commuters and persons with special transportation needs.

Purpose: To reduce motor vehicle fuel consumption and traffic congestion by promoting commuter ride-sharing. Also to support nonprofit organizations that provide group transportation services to persons with special needs.

Category/Year Enacted: Other. 1979

Primary Beneficiaries: Nonprofit social service organizations that provide transportation services.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; it is assumed that most income received for providing transportation services would be subject to public utility tax under the urban transportation classification, not B&O tax.

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

82.04.363 CAMPS AND CONFERENCE CENTERS

Description: Exemption from B&O tax is allowed for nonprofit organizations for amounts received for providing certain items at a camp or conference center conducted on property that is exempt from property tax. This includes charges for furnishing food and meals, camping and lodging facilities, the use of meeting rooms, parking, books, tapes and other products available to participants of the camp or conference but not to the general public.

Purpose: To reduce the cost of operating such camps and conference centers.

Category/Year Enacted: Nonprofit - charitable or religious. 1997

Primary Beneficiaries: Nonprofit organizations that operate camps or conference centers.

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	\$ 109	\$ 110	\$ 111	\$ 112
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.3651 NONPROFIT ORGANIZATION FUND-RAISING

Description: B&O tax does not apply to amounts received by a nonprofit organization from fund-raising activities, such as funds generated by soliciting or accepting contributions or selling goods or services at fund-raising events. For purposes of this exemption, fund-raising does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

Purpose: To support the activities of nonprofit organizations.

Category/Year Enacted: Nonprofit - other. 1998

Primary Beneficiaries: Nonprofit organizations which raise funds to support their activities.

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	\$ 158	\$ 163	\$ 168
Local taxes - not considered.				

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

82.04.367 STUDENT LOAN ORGANIZATIONS

Description: B&O tax exemption is provided for the income of nonprofit organizations that issue debt for student loans and for guarantee agencies under the federal guaranteed student loan program.

Purpose: To promote the availability of student loans.

Category/Year Enacted: Nonprofit - other. 1987

Primary Beneficiaries: Only one nonprofit student loan organizations qualifies under this statute.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.04.368 CREDIT AND DEBT COUNSELING SERVICES

Description: Nonprofit organizations that provide counseling services for consumers relating to credit and debt issues are exempt from B&O tax.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: Approximately 24 organizations that provide these services, although most of them also provide other financial services.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal – most of the nonprofit organizations that provide such services do not charge for the counseling. Thus, there is no, or little, income associated with the service.

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

82.04.370 FRATERNAL INSURANCE

Description: Income derived from insurance premiums by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disability benefits and insure property for their members. These premiums are also exempt from insurance premiums tax.

Purpose: To support the programs and activities of these organizations.

Category/Year Enacted: Other. 1935

Primary Beneficiaries: Approximately 20 societies and their members.

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	\$ 2,096	\$ 2,106	\$ 2,117	\$ 2,128
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.380 RED CROSS

Description: B&O tax exemption is allowed for the income of corporations that are created by Congress whose principal purpose is to provide volunteer aid to the armed forces and national/international disaster relief. The Red Cross is considered as an instrumentality of the federal government and cannot be directly taxed by the state under existing Supreme Court decisions.

Purpose: To support the social services that this organization provides.

Category/Year Enacted: Nonprofit - health or social welfare. 1935

Primary Beneficiaries: The American Red Cross.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated, because it is believed to affect fewer than three taxpayers.

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

82.04.385 SHELTERED WORKSHOPS

Description: B&O tax exemption is provided for nonprofit organizations that operate sheltered workshops and group training homes for the developmentally disabled on income received from the state.

Purpose: To reduce the cost of providing these services.

Category/Year Enacted: Nonprofit - health or social welfare. 1970

Primary Beneficiaries: Approximately 100 workshops/training homes throughout the 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	\$ 930	\$ 954	\$ 979	\$ 1,004
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.399 ACADEMIC TRANSCRIPTS

Description: Income received by educational institutions for providing academic transcripts on behalf of their present and former students is exempt from B&O tax.

Purpose: To support public and nonprofit educational institutions.

Category/Year Enacted: Nonprofit - other. 1996

Primary Beneficiaries: Public and private educational institutions.

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	\$ 9	\$ 9	\$ 9
Local taxes - not considered.				

*It is assumed that the state would not pay B&O tax on income from providing transcripts for students at public colleges and universities, since it is not a taxable "person" under RCW 82.04.030. Political subdivisions, however, are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.

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

82.04.4251 PROMOTION OF TOURISM

Description: Payments received by nonprofit organizations from a government entity, Indian tribe, or other public corporation for purposes of development of tourism are exempt from B&O tax.

Purpose: To encourage tourism.

Category/Year Enacted: Nonprofit - other. 2006

Primary Beneficiaries: Nonprofit tourism promotion firms.

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	\$ 221	\$ 232	\$ 244	\$ 256
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4264 ADULT BOARDING HOMES

Description: Nonprofit adult boarding homes licensed under Chapter 18.20 RCW are exempt from B&O tax on receipts for domiciliary care.

Purpose: To reduce the tax liability of such homes.

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: Approximately 50 nonprofit adult boarding homes.

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	\$ 1,312	\$ 1,378	\$ 1,446	\$ 1,519
Local taxes - not considered.				

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

82.04.4265 COMPREHENSIVE CANCER CENTERS

Description: Receipts by comprehensive cancer centers are exempt from B&O tax to the extent the amounts are exempt from federal income tax.

Purpose: To encourage cancer research

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: One entity.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed. Further, these receipts are covered by the high technology tax credit and thus there would be no additional impact for this exemption.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? In theory yes, but not as long as the same income is eligible for the high tech credit.

BUSINESS TAXES

BUSINESS AND OCCUPATION TAX - DEDUCTIONS

82.04.280(6) RADIO AND TV BROADCASTING

Description: A B&O tax deduction is allowed for radio and television broadcasters for: (1) income received from network, national, and regional advertising, and (2) that portion of revenue represented by their out-of-state audience.

Purpose: The deduction reflects a perception that broadcasts which cross the state's boundaries and advertising income derived from outside the state may constitute interstate commerce.

Category/Year Enacted: Commerce. 1967, as a result of a Court decision.

Primary Beneficiaries: Interstate broadcasters.

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	\$ 1,305	\$ 1,393	\$ 1,482	\$ 1,566
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Not if the tax would be considered as interfering with interstate commerce.

82.04.298(2) GROCERY CO-OPS

Description: A deduction from gross proceeds of sales is allowed for the cost of goods by a qualified grocery cooperative that does not make sales at wholesale to its members/owners. However, any commission income is subject to tax under the service classification.

Purpose: To provide a deduction for qualified grocery cooperatives on goods distributed to its members when the cooperative retains the title to the goods.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: Two cooperatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this deduction cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.04.333 SMALL TIMBER HARVESTERS

Description: Previously, small timber harvesters (sales of less than \$100,000 annually) were exempt from extracting B&O tax. In 2007, the statute was amended so that the exemption becomes a deduction for all small timber harvests as defined under the timber tax statute (Chapter 84.33 RCW). In addition to sales of less than \$100,000 annually, the small harvester definition includes firms that harvest less than two million board feet annually.

Purpose: To assist one-time or infrequent timber harvesters.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Approximately 3,100 timber harvesters. (However, some 75 percent of these would still be covered by the small business tax 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	\$ 407	\$ 417	\$ 428	\$ 438
Local taxes - not considered.				

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

82.04.4271 YOUTH ORGANIZATION FEES

Description: A B&O tax deduction is allowed for nonprofit youth organizations for membership fees, dues and fees paid for the use of camping and recreational facilities.

Purpose: To support the programs and social benefits provided by these organizations. Dues are ordinarily deductible under RCW 82.04.4282, but not when the payment is in exchange for specific goods or services. Therefore, this deduction is necessary to cover the typical charges of YMCAs, church camps, and similar organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1981

Primary Beneficiaries: Approximately 200 nonprofit youth organizations.

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	\$ 393	\$ 405	\$ 417	\$ 430
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4272 DELIVERY CHARGES FOR DIRECT MAIL

Description: A B&O tax deduction is allowed for delivery charges made for direct mail, if the charges are separately stated on the billing given to the purchaser. Direct mail refers to printed material delivered without charge to a mass audience or to a mailing list provided by the purchaser.

Purpose: To clarify the taxation of delivery charges for direct mail.

Category/Year Enacted: Other business. 2005

Primary Beneficiaries: Direct mail service providers.

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	\$ 10	\$ 11	\$ 11
Local taxes - not considered.				

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

82.04.4281 INVESTMENT INCOME OF NONFINANCIAL FIRMS

Description: Deduction is provided for interest, dividends and capital gain income earned by persons who are not engaged in banking, loan, security or other financial businesses. A change in 2002 established a 50 percent threshold for loan income before it is taxable.

Purpose: The B&O tax is intended to apply for the privilege of engaging in business. This deduction reflects the perspective that investment income by nonfinancial firms is not considered as engaging in business.

Category/Year Enacted: Tax base. 1935; clarified in 2002.

Primary Beneficiaries: Nonfinancial corporations (21% of the total); individuals and noncorporate business entities (61%); and pension trusts (18%).

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	\$336,000	\$363,600	\$386,300	\$412,300
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4281 SUBSIDIARY DIVIDENDS

Description: A B&O tax deduction is provided for amounts derived as dividends received from subsidiaries and interest received on loans to related companies if the total investment and loan income is less than five percent of the firm's annual gross receipts.

Purpose: To provide a positive environment for capital investment in Washington and to provide equivalent treatment for similarly situated taxpayers.

Category/Year Enacted: Tax base. 1970; clarified in 2002.

Primary Beneficiaries: Holding companies of financial institutions and other parent corporations.

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	\$ 6,387	\$ 6,875	\$ 7,168	\$ 7,467
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although firms could easily shift such income to affiliated out-of-state entities.

82.04.4282 MEMBERSHIP DUES AND FEES

Description: B&O tax deduction is allowed for amounts derived from bona fide initiation fees and dues. The value of any significant goods or services provided to members may not be claimed as a deduction if the goods or services are provided to members without additional charge.

Purpose: To recognize that initiation fees and membership dues are in part or in whole paid solely for the privilege of membership and not in return for significant goods or services.

Category/Year Enacted: Nonprofit - other. 1935

Primary Beneficiaries: Private clubs (health, sports, social, etc.) and their members.

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	\$ 790	\$ 836	\$ 884	\$ 935
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4282 CONTRIBUTIONS AND DONATIONS

Description: B&O tax deduction is allowed for amounts received as contributions, donations and endowment funds, provided that no specific service is performed as a condition for receiving these funds.

Purpose: Donations are not considered as income derived from engaging in business.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Private schools and colleges and other nonprofit organizations, such as hospitals and religious, fraternal and charitable groups.

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	\$ 3,944	\$ 4,172	\$ 4,413	\$ 4,669
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No, assuming that receipt of contributions and donations would not otherwise be considered as engaging in business.

82.04.4282 TUITION FEES

Description: B&O tax deduction is provided for tuition fees and charges, including fees by privately operated kindergartens. Tuition fees are defined by RCW 82.04.170 to include charges for room and board, as well as fees for library, laboratory, or health services and other special fees, made by an educational institution.

Purpose: To reduce the cost of education provided by private schools and colleges.

Category/Year Enacted: Nonprofit - other. 1935, private kindergartens added in 1985.

Primary Beneficiaries: Private schools, colleges and kindergartens.

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	\$ 18,010	\$ 18,813	\$ 19,653	\$ 20,530
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4282 TRADE SHOWS

Description: Deduction from B&O tax is allowed for nonprofit trade or professional organizations for charges made in conjunction with trade shows, conventions and educational seminars, as long as the event is not open to the general public. The deduction covers admission fees and charges for occupying space.

Purpose: To encourage trade shows, conventions and educational seminars to take place in this state.

Category/Year Enacted: Nonprofit - other. 1989

Primary Beneficiaries: Nonprofit organizations that sponsor trade shows.

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	\$ 773	\$ 830	\$ 891	\$ 957
Local taxes - not considered.				

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

82.04.4283 CASH DISCOUNTS

Description: B&O tax deduction is allowed for cash discounts taken by purchasers, as long as the discount taken was included in the amount of gross revenue reported by the seller for B&O tax purposes.

Purpose: To recognize that cash discounts allowed do not represent income to the seller.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Businesses that offer cash discounts to purchasers.

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	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No; the B&O tax would probably not apply to income that is not actually received by the seller.

BUSINESS TAXES

82.04.4284 CREDIT LOSSES

Description: B&O tax deduction is allowed for firms that maintain their books on an accrual basis equal to the amount of loss resulting from nonpayment of accounts. The result is equivalent treatment for cash and accrual basis taxpayers.

Purpose: To recognize that no income is actually received by the seller on unpaid transactions.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Firms that use the accrual method of accounting.

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	\$ 5,713	\$ 5,968	\$ 6,235	\$ 6,513
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely; although the transaction was made, no income was received by the seller.

82.04.4285 MOTOR VEHICLE FUEL TAXES

Description: The amount of state and federal taxes on motor vehicle fuel that is included in the sales price is deductible for B&O purposes by wholesalers and retailers of the fuel. Currently, the state levies a tax of 28 cents per gallon and the federal government imposes a tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel. Both are paid at the distributor level and are passed on to consumers in the retail price.

Purpose: To eliminate double taxation.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Retail fuel dealers and purchasers 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	\$ 16,441	\$ 17,430	\$ 17,779	\$ 18,113
Local taxes - not considered.				

*Estimates based on both wholesale and retail levels and include both state and federal tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely; although there is no specific reason that B&O tax could not apply to the portion of the sales price of fuel represented by state and federal fuel taxes.

BUSINESS TAXES

82.04.4286 DEDUCTION FOR CONSTITUTIONAL REASONS

Description: B&O tax deduction is provided for gross income derived from activities which the state is prohibited from taxing under the Washington State Constitution, the federal constitution, or federal law. One area covered by these prohibitions relates to interstate commerce. The state cannot tax sales of tangible personal property when delivery is made outside the state and sales by out-of-state firms that do not carry on any local activity significantly associated with the seller's ability to establish or maintain a market in this state (commonly referred to as nexus). Because exports of goods produced in this state are subject to manufacturing or extracting B&O tax, the constitutional exemptions for exported products essentially benefit only retailers and wholesalers. Most imports are subject to B&O tax, except for transactions involving no local activity (e.g., mail order and Internet purchases). Another important area the state cannot tax relates to business activities engaged in by Indians and Indian tribal entities in Indian country.

Purpose: To avoid a violation of the state or federal constitutions.

Category/Year Enacted: Commerce. 1935

Primary Beneficiaries: Firms engaged in interstate and foreign commerce and Indian tribal enterprises.

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	\$634,879	\$662,521	\$691,370	\$721,478
Local taxes - not considered.				

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

82.04.4287 PROCESSING HORTICULTURAL PRODUCTS

Description: B&O tax deduction is provided for income received for washing, sorting and packing fresh, perishable horticultural products, if the work is performed for the farmer/producer.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Processors of fresh horticultural 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	\$ 946	\$ 946	\$ 946	\$ 946
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4289 NURSING HOMES AND OTHER FACILITIES

Description: B&O tax deduction is allowed for nonprofit nursing homes, kidney dialysis facilities, hospice agencies and homes for unwed mothers operated by religious or charitable organizations. The deduction covers compensation received for patient care and the sale of prescription drugs to patients.

Purpose: To reduce the cost of caring for patients of these facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1945. Nonprofit hospitals removed from the deduction in 1993 when they became subject to B&O tax to provide funding for health care; hospice facilities added in 1998.

Primary Beneficiaries: Organizations which operate these facilities and their patients.

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	\$ 2,233	\$ 2,367	\$ 2,437	\$ 2,511
Local taxes - not considered.				

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

82.04.4291 INTERGOVERNMENTAL CHARGES

Description: A local government jurisdiction may deduct from its gross income that is subject to B&O tax any income received from other political subdivisions that would otherwise be taxable under the service classification.

Purpose: This deduction allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax liability.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Cities and counties.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The impact of this deduction is included under the exemption for local government business income, RCW 82.04.419.

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

BUSINESS TAXES

82.04.4292 INTEREST ON REAL ESTATE LOANS

Description: B&O tax deduction is allowed for interest earned on first mortgage loans and securities secured by first mortgages of nontransient residential property.

Purpose: To reduce the cost of purchasing a home and to stimulate residential construction in Washington relative to other states.

Category/Year Enacted: Other business. 1970

Primary Beneficiaries: Financial institutions, the real estate industry and home buyers to the extent that the benefit of the deduction is passed through to borrowers.

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	\$ 72,155	\$ 76,558	\$ 81,190	\$ 86,606
Local taxes - not considered.				

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

82.04.4293 INTEREST ON GOVERNMENT OBLIGATIONS

Description: B&O deduction is provided for interest income from obligations of Washington State and its political subdivisions and municipal corporations.

Purpose: To provide state tax treatment comparable to federal income tax treatment of state and municipal bonds. Also, this helps to reduce the cost of state and local government construction projects which are financed by bonds.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Financial institutions that hold public bonds.

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	\$ 3,665	\$ 4,325	\$ 4,853	\$ 5,216
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4294 INTEREST ON AGRICULTURAL LOANS

Description: Financial businesses may deduct income derived as interest on certain agricultural and aquatic loans. To qualify, the lending institution must be owned exclusively by its borrowers or members and be solely engaged in making loans and providing financial services to farmers, ranchers, producers of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals or entities.

Purpose: To support the agricultural industry by reducing the cost of loans issued by cooperatives.

Category/Year Enacted: Agriculture. 1970

Primary Beneficiaries: Two entities involved in making agricultural loans to farmers or cooperatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this deduction cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

82.04.4295 MANUFACTURING COMPLETED IN WASHINGTON

Description: For products manufactured outside the state that are brought into Washington for minor final assembly (less than two percent of the sales value) and then sold outside the state, the value initially created outside the state is allowed as a deduction from B&O tax.

Purpose: To stimulate trade and importing of products through Washington ports.

Category/Year Enacted: Business incentive. 1977

Primary Beneficiaries: Out-of-state manufacturers of motor vehicles (e.g., imported pickup trucks whose beds are attached 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	\$ 2,460	\$ 2,622	\$ 2,795	\$ 2,979
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4296 FUNERAL HOME REIMBURSEMENT

Description: B&O tax deduction is allowed for amounts received by a funeral home as reimbursement for expenditures made by the home as an accommodation to persons paying for a funeral. The expenditures must be for goods and services provided by a person not affiliated or associated with the funeral home. The amounts are deductible only if billed to the person paying for the funeral at the same cost and if they are separately itemized on the billing statement.

Purpose: To reduce the cost of funerals and simplify the billing of various components of funerals (e.g., charges for flowers).

Category/Year Enacted: Other business. 1979

Primary Beneficiaries: Funeral homes.

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	\$ 13	\$ 13	\$ 13
Local taxes - not considered.				

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

82.04.4297 GRANTS TO NONPROFIT ORGANIZATIONS

Description: Deduction from B&O tax is provided to nonprofit organizations or local government entities for grants received from federal, state or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include health care; family and drug counseling; services for the sick, elderly and handicapped; day care; vocational training and employment services; legal services for the indigent; and services for low-income homeowners or renters. Also deductible are Medicare/Medicaid receipts of nonprofit and public hospitals.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - health or social welfare. 1979

Primary Beneficiaries: Nonprofit social service organizations and their clients.

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	\$ 74,060	\$ 76,282	\$ 78,570	\$ 80,928
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4298 CONDOMINIUM MAINTENANCE FEES

Description: A B&O tax deduction is allowed for funds received by cooperative housing associations, condominium associations and residential property associations from members of the association, if the funds are used for repair, maintenance, management and improvement of the residences and the commonly held property.

Purpose: To provide comparable tax treatment for these payments by condo owners and the funds set aside by homeowners for similar maintenance and upkeep purposes.

Category/Year Enacted: Other business. 1979

Primary Beneficiaries: Condominium associations and their members.

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	\$ 4,657	\$ 4,797	\$ 4,941	\$ 5,089
Local taxes - not considered.				

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

82.04.4311 PUBLIC/NONPROFIT HOSPITALS; GOVT. SUBSIDIZED BENEFITS

Description: B&O tax deduction is allowed for public and nonprofit hospitals and community health centers for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program. The deduction applies regardless if the revenues were received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

Purpose: To recognize that the provision of health services to people who receive federal or state subsidized health benefits by reason of age, disability or income level is a necessary and vital governmental function. As such, it would be inconsistent to tax such receipts.

Category/Year Enacted: Nonprofit - health or social welfare. 2002 (Health centers added in 2005.)

Primary Beneficiaries: Nonprofit and public hospitals and community health centers.

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	\$ 70,538	\$ 73,712	\$ 77,029	\$ 80,495
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.432 MUNICIPAL SEWER CHARGES

Description: City sewer utilities are permitted to deduct from income subject to B&O tax any payments to other cities or other governmental agencies for interception, treatment or disposal of sewerage.

Purpose: Collection of sewerage is taxable under the state public utility tax. Interception, treatment and disposal of sewerage are subject to the state B&O tax. This deduction eliminates pyramiding of the tax when multiple utilities are involved in the provision of sewerage services. Because of the deduction provided by RCW 82.04.4291 (intergovernmental charges), this income is not taxed at all.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: Cities.

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	\$ 1,491	\$ 1,591	\$ 1,692	\$ 1,788
Local taxes - not considered.				

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

82.04.4322 ARTS/CULTURAL ORGANIZATIONS - GOVERNMENT GRANTS **82.04.4324 ARTS/CULTURAL ORGANIZATIONS - MANUFACTURED ITEMS** **82.04.4326 ARTS/CULTURAL ORGANIZATIONS - TUITION** **82.04.4327 ARTS/CULTURAL ORGANIZATIONS - BUSINESS INCOME**

Description: These four statutes provide B&O tax deductions for nonprofit artistic or cultural organizations, including performing arts groups such as music, theater, dance; and art history museums. Four types of income are covered: government grants, tuitions, manufactured items, and business income (e.g., charges for admission. Because data are typically not available on each source of income, these are considered jointly.

Purpose: To support the programs of artistic and cultural organizations.

Category/Year Enacted: Nonprofit - arts or cultural. 1981; business income added in 1985.

Primary Beneficiaries: Nonprofit arts and cultural organizations.

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	\$ 3,085	\$ 3,178	\$ 3,273	\$ 3,371
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.433 FUEL FOR COMMERCIAL VESSELS

Description: A B&O tax deduction is provided for income derived from the sale of fuel that is consumed outside of Washington territorial waters of the U.S. in vessels engaged in foreign commerce.

Purpose: To foster foreign trade and encourage ocean-going vessels to purchase fuel in Washington.

Category/Year Enacted: Other business. 1985

Primary Beneficiaries: Fuel dealers and commercial vessels engaged in foreign commerce.

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	\$ 2,725	\$ 3,079	\$ 3,478	\$ 3,929
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely; the tax might be interpreted as an interference with interstate commerce.

82.04.4331 HEALTH INSURANCE CLAIMS

Description: A B&O tax deduction was provided to insurance companies for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

Purpose: To prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurance firms with a deduction that was available to health care contractors and health maintenance organizations.

Category/Year Enacted: Tax base. 1988

Primary Beneficiaries: None. The state now self-insures and no commercial insurer was selected to provide the uniform health plan for state employees.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

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

BUSINESS TAXES

82.04.4332 FOREIGN BRANCH CAMPUSES

Description: A B&O tax deduction is provided for tuition fees received by an in-state branch of a foreign university. To qualify, the university must be in compliance with RCW 28B.90, grant degrees, and be exempt from federal income tax.

Purpose: To encourage foreign universities to locate branches in Washington.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: Two branches of foreign universities have been approved by the Higher Education Coordinating Board and are eligible for the deduction. Only one is taking the deduction.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Cannot be disclosed for confidentiality reasons.

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

82.04.4334 SALES OF ALTERNATIVE FUEL

Description: Deduction from B&O tax is provided for income from the sale or distribution of biodiesel or E85 motor fuel. Biodiesel fuel is derived from vegetable oils or animal fats. E85 fuel is a blend of ethanol and hydrocarbon in which the ethanol portion is comprised of from 75 to 85 percent denatured fuel ethanol. This deduction is scheduled to expire on July 1, 2015.

Purpose: To encourage the production and sale of alternative fuels.

Category/Year Enacted: Business incentive. 2003, amended in 2006.

Primary Beneficiaries: Dealers of alternative fuels.

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	\$ 51	\$ 90	\$ 157	\$ 275
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4335 SALES OF WOOD BIOMASS FUEL

Description: Deduction from B&O tax is provided for income from the sale or distribution of wood biomass fuel. Such fuel is derived from the residue of wood, forest or field products or dedicated energy crops. The deduction is scheduled to expire on July 1, 2009.

Purpose: To encourage fuel dealers to sell alternative fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None to date; there are no known wood biomass fuel dealers currently operating in the state.

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

82.04.4337 MEDICAID RECEIPTS OF ADULT BOARDING HOMES

Description: A deduction from B&O taxable income is allowed for proprietary adult boarding homes licensed under Chapter 18.20 RCW for amounts received from Medicaid for residential care.

Purpose: To make the tax treatment of boarding homes the same as nursing homes.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Adult boarding homes that are organized for-profit.

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	\$ 2,265	\$ 2,379	\$ 2,498	\$ 2,622
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4338 AUXILIARY POWER FOR DIESEL TRUCKS

Description: Exemption from B&O tax is provided for income associated with the development and operation of electrical power service hookups for diesel freight trucks at highway truck stops.

Purpose: To reduce diesel engine air pollution by encouraging truck stop operators to provide electric power to truck systems and for truck drivers to utilize the available "shore" power through the use of onboard electrification systems.

Category/Year Enacted: Other business. 2006

Primary Beneficiaries: Approximately 175 truck stop 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	\$ 1	\$ 2	\$ 2	\$ 3
Local taxes - not considered.				

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

82.04.4339 GRANTS FOR SALMON HABITAT RESTORATION

Description: Governmental grants received by nonprofit organizations for purposes of restoring salmon habitat are deductible from B&O tax liability.

Purpose: To encourage restoration of salmon habitat

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Approximately 40 organizations involved in restoring salmon habitat.

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	\$ 400	\$ 400	\$ 400	\$ 400
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.540(2) WAGES PAID FOR CLIENTS

Description: Deduction from state B&O tax is provided for a professional employer organization (PEO) for the cost of wages, salaries, benefits, and other payments made to covered employees who are co-employed by the PEO and a client of the PEO.

Purpose: To exclude from B&O tax payroll expenses being passed through the PEO to the covered employees.

Category/Year Enacted: Tax Base. 2006

Primary Beneficiaries: Approximately 25 professional employer organizations.

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	\$ 2,117	\$ 2,180	\$ 2,303	\$ 2,433
Local taxes - not considered.				

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

82.04.620 PHYSICIAN ADMINISTRATION OF PRESCRIPTION DRUGS

Description: This B&O deduction allows physicians or clinics to deduct amounts received for the infusion or injection of drugs for human use pursuant to a prescription. The deduction may not exceed the current federal reimbursement rate under Medicare. The injection must be covered or required under a health care program which is subsidized by the federal or state government.

Purpose: To improve patient care by encouraging physicians to administer drugs in their own facilities, rather than referring their patients to a hospital where the wait time and cost of care may be greater.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Doctors, clinics and their patients

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	\$ 800	\$ 1,200	\$ 1,200	\$ 1,200
Local taxes - not considered.				

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

BUSINESS TAXES

BUSINESS AND OCCUPATION TAX - DIFFERENTIAL TAX RATES

82.04.240(2) MANUFACTURING SEMICONDUCTOR MATERIALS

Description: Firms that manufacture materials used in the production of semiconductors are subject to B&O tax at a rate of 0.275 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate lasts for a period of 12 years from the effective date. The reduced tax rate is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study.

Purpose: To encourage retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None to date.

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

82.04.2404 MANUFACTURING/PROCESSING SEMICONDUCTOR MATERIALS

Description: Firms that manufacture materials used in the production of semiconductors are subject to B&O tax at a rate of 0.275 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate lasts for a period of 12 years from the effective date. The reduced tax rate is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least \$350 million. This criterion was met, and the reduced tax rate became effective on December 1, 2006.

Purpose: To encourage retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Three firms that manufacture semiconductor materials.

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	\$ 1,168	\$ 1,285	\$ 1,413	\$ 1,555
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.250(1) RETAILING

Description: Until 1983 retailers paid the same B&O tax rate as manufacturers and wholesalers. In that year the B&O rates were increased by 10 percent (to 0.484 percent) for the latter two classifications, but only by seven percent for retailers (to 0.471 percent).

Purpose: Part of the rationale for the lower retailing tax rate was the recognition that during the 1981-83 biennium the state sales tax rate was increased from 4.5 to 6.5 percent and this large increase may have adversely impacted retailing firms. Further, the state does not allow any compensation to retailers for their costs incurred in collecting the state and local sales tax.

Category/Year Enacted: Other business. 1983

Primary Beneficiaries: Approximately 175,000 firms that make retail sales.

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	\$ 21,077	\$ 22,657	\$ 24,357	\$ 26,183
Local taxes - not considered.				

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

82.04.250(3) CERTIFIED AIRCRAFT REPAIR

Description: Repair of interstate transportation equipment is normally subject to the B&O tax rate of 0.484 percent. In 2003, a reduced tax rate of 0.275 percent was provided for qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR part 145" repair facility. In 2006 the tax rate was changed to 0.2904 percent for this rate classification. The statute is scheduled to expire on July 1, 2011.

Purpose: To encourage the repair of aircraft in this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: It is believed that four firms qualify for this tax rate.

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	\$ 424	\$ 454	\$ 485	\$ 519
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.260(1a) MANUFACTURERS OF FLOUR AND OIL

Description: A preferential B&O tax rate of 0.138 percent is provided for manufacturers of flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts and sunflower oil. The general tax rate for manufacturing is 0.484 percent.

Purpose: To provide tax relief to agricultural processing firms with typically low profit margins that are unable to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

Category/Year Enacted: Agriculture. 1949; soybeans and sunflowers added in 1979; pearl barley in 1987.

Primary Beneficiaries: Approximately 105 firms.

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	\$ 2,775	\$ 3,052	\$ 3,358	\$ 3,693
Local taxes - not considered.				

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

82.04.260(1e & f) MANUFACTURERS OF ALTERNATIVE FUELS

Description: A preferential B&O tax rate of 0.138 percent is provided for manufacturers of alcohol fuel or wood biomass fuel. The general tax rate for manufacturing is 0.484 percent. The preferential tax rate in Subsection "e" of this statute for alcohol fuel, biodiesel fuel, or biodiesel feedstock is scheduled to expire on July 1, 2009. (However, there is no such expiration for alcohol fuel or wood biomass fuel in Subsection "f".)

Purpose: To encourage the production of alternative fuels in Washington.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: There are currently a very small number of such manufacturers operating 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	\$ 22	\$ 66	\$ 0	\$ 0
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.260(2) PROCESSORS OF DRIED PEAS

Description: A preferential B&O tax rate of 0.138 percent is provided for processors of dried peas. This rate was reduced from the general manufacturing rate in 1967 to 0.275 percent in 1967 and again in 1998 to 0.138 percent as part of a B&O tax rate consolidation for tax simplification purposes.

Purpose: To provide tax relief to firms with typically low profit margins that are not able to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

Category/Year Enacted: Agriculture. 1967 and 1998

Primary Beneficiaries: Approximately four firms.

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	\$ 29	\$ 30	\$ 31	\$ 32
Local taxes - not considered.				

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

82.04.260(4) PROCESSORS OF MEAT

Description: A preferential B&O tax rate of 0.138 percent is provided for processors and wholesalers of perishable meat products. This rate was first reduced to 0.33 percent in 1967. Several other changes in the rate occurred subsequently until in 1998 it was reduced to 0.138 percent as part of a B&O tax rate consolidation for tax simplification purposes. The general tax rate for manufacturing is 0.484 percent.

Purpose: To provide tax relief to firms with typically low profit margins that are not able to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

Category/Year Enacted: Agriculture. 1967 followed by other subsequent changes until the 0.138 percent rate was adopted in 1998.

Primary Beneficiaries: Approximately 154 firms.

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	\$ 7,381	\$ 9,131	\$ 9,268	\$ 9,407
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.260(5) TRAVEL AGENTS

Description: A reduced B&O tax rate of 0.275 percent is provided for commissions earned by travel agents and tour operators. In the absence of this statute the commissions would be subject to the service rate of 1.5 percent.

Purpose: To recognize that some of the income of these firms is derived from travel that may take place outside of the state.

Category/Year Enacted: Other business. 1975

Primary Beneficiaries: Approximately 451 taxpayers report under this rate classification.

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	\$ 8,608	\$ 8,651	\$ 8,695	\$ 8,738
Local taxes - not considered.				

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

82.04.260(8) CHARTER AND FREIGHT BROKERS

Description: A preferential B&O tax rate of 0.275 percent is provided for the international activities of charter and freight brokers. This rate was reduced to 0.363 percent in 1979 and again in 1998 to 0.275 percent as part of a B&O tax rate consolidation for tax simplification purposes. The general tax rate for service activities is 1.5 percent.

Purpose: To encourage international trade through Washington.

Category/Year Enacted: Business incentive. 1979 and 1998

Primary Beneficiaries: Approximately 520 firms.

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	\$ 19,889	\$ 21,730	\$ 23,689	\$ 25,774
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.260(7) STEVEDORING

Description: A preferential B&O tax rate of 0.275 percent is provided for revenue derived from stevedoring and similar cargo handling activities. Previously, this activity was subject to public utility tax at a rate of 1.926 percent. It was moved to the B&O tax at a rate of 0.363 percent and the rate was further reduced to 0.275 in 1998 percent as part of a B&O tax rate consolidation for tax simplification purposes. The general B&O tax rate for service activities is 1.5 percent.

Purpose: To encourage international trade through Washington.

Category/Year Enacted: Business incentive. 1979 and 1998

Primary Beneficiaries: Approximately 24 firms.

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	\$ 9,352	\$ 9,679	\$ 10,018	\$ 10,369
Local taxes - not considered.				

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

82.04.260(9) INSURANCE AGENTS

Description: A preferential B&O tax rate of 0.484 percent is provided for revenue derived in the form of commissions by insurance agents and brokers. Previously, this activity was subject to the B&O service classification at a rate of 1.5 percent. It was reduced to 1.1 percent in 1983 and to 0.55 percent in 1995. In 1998 the rate was reduced to the current level as part of a B&O tax rate consolidation.

Purpose: To reflect the perception that insurance companies could not pass on the increased taxes to their current policy holders when the B&O service rate was increased in 1983.

Category/Year Enacted: Other business. 1983; further reduced in 1995 and 1998.

Primary Beneficiaries: Approximately 4,800 taxpayers benefit from this tax rate reduction.

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	\$ 19,775	\$ 20,863	\$ 22,011	\$ 23,221
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.260(11) MANUFACTURING OF COMMERCIAL AIRCRAFT

Description: A preferential B&O tax rate is provided for manufacturers of commercial airplanes or components of commercial airplanes. Compared with the general tax rate for manufacturing of 0.484 percent, this statute allows a two-step reduction in the tax rate. Starting on October 1, 2005 the rate for manufacturing of all commercial airplanes and components dropped to 0.4235 percent. According to the statute, this rate was to remain in effect until: (1) June 30, 2007, or (2) the date that final assembly of a super-efficient airplane (the Boeing 787) commences in Washington, at which time the aircraft manufacturing rate would further drop to 0.2904 percent, whichever comes later. Assembly of the Boeing 787 commenced prior to June 30, 2007; therefore the 0.2904 percent rate became effective on July 1, 2007. This rate will remain in effect until July 1, 2024.

Purpose: To encourage the assembly of a super-efficient airplane in Washington.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Manufacturers of commercial airplanes and components of such airplanes.

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	\$ 68,517	\$ 81,815	\$ 95,819	\$104,185
Local taxes - not considered.				

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

82.04.260(12) EXTRACTING/MANUFACTURING TIMBER & WOOD PRODUCTS

Description: A preferential B&O tax rate of 0.2904 percent is provided for extracting or manufacturing of timber and selling at wholesale timber and wood products. Previously these activities were subject to a B&O tax rate of 0.484 percent.

Purpose: To encourage the timber industry.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Firms that extract timber or manufacture timber and wood 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	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.260(13) SERVICES FOR SALMON CANNERS

Description: A preferential B&O tax rate of 0.484 percent is provided for firms that inspect, test, label or store canned salmon for another firm that owns the canned salmon. Previously, these activities were subject to the 1.5 percent service rate.

Purpose: To provide tax relief for firms that provide these services for salmon cannery.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: A very small number of firms.

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	\$ 23	\$ 23	\$ 24	\$ 25
Local taxes - not considered.				

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

82.04.272 RESELLERS OF PRESCRIPTION DRUGS

Description: A preferential B&O tax rate is provided for resellers of prescription drugs that are registered with the Federal Drug Enforcement Administration and licensed by the State Board of Pharmacies. The tax rate is 0.138 percent, compared with the 0.484 percent rate for wholesalers and 0.471 percent for retailers. Drug resellers typically purchase drugs from the manufacturer and sell them directly to a retailer or health care provider.

Purpose: To provide tax relief to such firms that typically experience low profit margins and to encourage resellers of prescription drugs to locate in this state.

Category/Year Enacted: Business incentive. 1998 (effective July 1, 2001)

Primary Beneficiaries: Firms that warehouse and resell prescription drugs and their customers, including hospitals, physicians and health care clinics.

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	\$ 10,696	\$ 11,231	\$ 11,792	\$ 12,382
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.290(1) INTERNATIONAL INVESTMENT MANAGEMENT SERVICES

Description: Firms engaged in providing management services for international investment are allowed a preferential B&O tax rate of 0.275 percent, compared with the general service rate of 1.5 percent.

Purpose: To retain international investment management services within the state. Such firms could easily move to a location outside of Washington.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: Approximately 41 firms.

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	\$ 13,216	\$ 14,802	\$ 16,578	\$ 18,568
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although some firms could easily escape the tax by relocating.

82.04.2905 CHILD CARE

Description: Firms that are engaged in providing child care are allowed a preferential B&O tax rate of 0.484 percent, compared with the general services tax rate of 1.5 percent. NOTE: child care provided by churches and the care of children up to the age of eight are exempt from B&O tax.

Purpose: To reduce the cost of this service for families and to reduce the tax burden for an industry with low profit margins and one which pays its employees very low wages.

Category/Year Enacted: Other business (or Individuals, assuming the benefit is passed on to families). 1998

Primary Beneficiaries: Approximately 500 firms providing child care report under this classification.

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	\$ 682	\$ 719	\$ 758	\$ 799
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.2906 TREATMENT OF CHEMICAL DEPENDENCY

Description: Taxpayers who provide intensive in-patient or recovery house residential treatment services for chemical dependency are subject to B&O tax at a rate of 0.484 percent, rather than the general medical services rate of 1.5 percent. The lower tax rate applies only to receipts from governmental sources. To qualify, the firm must be certified by the Department of Social and Health Services.

Purpose: To support the firms that provide such services.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: Firms that provide treatment for chemical dependency.

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	\$ 34	\$ 35	\$ 35	\$ 35
Local taxes - not considered.				

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

82.04.2907 ROYALTY INCOME

Description: Royalty income is subject to B&O tax at a rate of 0.484 percent, rather than the service rate of 1.5 percent. This applies to authors, musicians and other recording artists, franchise fees, and royalties for patents, licenses, software and similar items.

Purpose: To clarify the treatment of royalty income and to recognize the mobility of these funds.

Category/Year Enacted: Other business. 1998

Primary Beneficiaries: Approximately 1,865 recipients of royalty payments 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	\$ 12,292	\$ 12,292	\$ 12,292	\$ 12,292
Local taxes - not considered.				

*Based on the previous service classification.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, but compliance would be difficult as taxpayers would have greater incentive to receive royalties outside of this state.

BUSINESS TAXES

82.04.2908 ADULT BOARDING HOMES

Description: A reduced tax rate is provided for adult boarding homes that are licensed under Chapter 18.20 RCW for income derived from provision of domiciliary care. Instead of the 1.5 percent service rate, these homes are taxed at 0.275 percent.

Purpose: To make the taxation of such homes similar to the treatment of nursing homes.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Adult boarding homes.

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	\$ 9,593	\$ 10,072	\$ 10,576	\$ 11,105
Local taxes - not considered.				

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

82.04.2909 ALUMINUM SMELTING

Description: A reduced tax rate of 0.2904 percent applies to manufacturing and wholesaling of aluminum.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) There are fewer than three firms that benefit from this lower B&O tax rate; therefore the revenue impact cannot be stated publicly.

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

BUSINESS TAXES

82.04.294 MANUFACTURING SOLAR ENERGY SYSTEMS

Description: B&O tax rate on manufacturing of solar energy systems or the production of silicon components of these systems is 0.2904 percent until June 30, 2014. Firms that utilize this special tax rate must file annual reports with the Department detailing employment, wages paid, and employee benefits.

Purpose: A report by the Washington State University energy program recognized the solar electric industry as one of the state's important growth industries. The report indicates that additional incentives for the solar electric industry are needed in recognition of the unique forces and issues involved in business decisions in this industry.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Manufacturers of solar electric systems and silicon components.

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	\$ 352	\$ 370	\$ 388	\$ 407
Local taxes - not considered.				

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

BUSINESS TAXES

BUSINESS AND OCCUPATION TAX - CREDITS

82.04.427 POLLUTION CONTROL CREDIT

82.34.060(2)

Description: A credit is allowed against B&O tax for up to 50 percent of the cost of required pollution control facilities. Up to 2 percent of the total credit may be taken each year.

Purpose: To encourage pollution control and to compensate Washington firms for the costs they incur to meet upgraded pollution standards.

Category/Year Enacted: Other business. 1967; new applications not allowed after 1981.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms applied for the B&O, public utility or use tax credits; eighteen firms have a remaining balance of credits to be taken in the future totaling \$15 million at the end of FY 2007.

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	\$ 591	\$ 473	\$ 378	\$ 303
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No; credits currently being taken were authorized under prior law.

82.04.4333 CREDIT FOR JOB TRAINING SERVICES

Description: Twenty percent of the amount spent on job training by firms that are eligible for the rural county sales tax deferral/exemption program may be taken as a credit against B&O tax. The training must be designed to enhance job performance in a state-approved program which is sponsored or provided by the employer. The amount of credit for a particular firm is limited to \$5,000 annually.

Purpose: To encourage firms in rural counties to employ local residents who may need training.

Category/Year Enacted: Business incentive. 1996

Primary Beneficiaries: Manufacturing and R&D firms in rural counties; two firms take the credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this tax credit cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.04.434 TESTING AND SAFETY LABORATORIES

Description: The value of services and information provided to the state of Washington free of charge by a laboratory which tests products for public safety purposes may be credited against B&O tax liability. The laboratory must not be affiliated with any industry group and must be exempt from federal tax.

Purpose: To encourage a testing/safety laboratory of this type to locate in Washington and ensure that these services are available for the safety of Washington residents.

Category/Year Enacted: Business incentive. 1991

Primary Beneficiaries: One firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this tax credit cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

82.04.440(2&3) MULTIPLE ACTIVITIES TAX CREDIT: INTRASTATE

Description: This credit allows taxpayers who engage in more than one taxable activity under the B&O tax (e.g., manufacturing and retailing) to credit the tax due on one activity against the other.

Purpose: Until 1987 businesses were taxable under the B&O tax only under a single classification for income associated with a particular activity or product. In that year the U.S. Supreme Court ruled that Washington could not discriminate against firms operating on an interstate basis - intrastate activities were taxed only once whereas interstate activities could potentially be taxed twice. Part of the solution was to subject products produced and sold in the state to tax under both the production and selling categories, but to allow the tax on the production activity to be credited against the selling tax.

Category/Year Enacted: Commerce. 1987

Primary Beneficiaries: Approx. 6,500 manufacturers that produce and sell products within the 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*	\$ (267)	\$ (279)	\$ (295)	\$ (313)
Local taxes - not considered.				

*Since the manufacturing/extracting tax rate (0.484%) is higher than the retailing rate (0.471%), retail firms are not able to credit the entire amount of the production tax against the selling tax and therefore an overall tax increase could occur compared with just the retailing tax liability.

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

BUSINESS TAXES

82.04.440(2&4) MULTIPLE ACTIVITIES TAX CREDIT: INTERSTATE

Description: This credit allows firms that are subject to state or local gross receipts taxes in other states to credit these taxes against the B&O tax liability on income derived from the same product or activity.

Purpose: Until 1987 businesses were taxable under the B&O tax only under a single classification for income associated with a particular activity or product. In that year the U.S. Supreme Court ruled that Washington could not discriminate against firms operating on an interstate basis - intrastate activities were taxed only once whereas interstate activities could potentially be subject to gross receipts tax in Washington and in the destination state. This 1985 statute was intended to meet a potential adverse Court ruling overturning Washington's gross receipts tax by allowing the other state's gross receipts tax to be credited against Washington's tax.

Category/Year Enacted: Commerce. 1985 and 1987

Primary Beneficiaries: Approximately 40 firms are currently taking this 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	\$ 20,503	\$ 21,418	\$ 22,703	\$ 24,065
Local taxes - not considered.				

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

82.04.4451 SMALL BUSINESS CREDIT

Description: This statute provides a credit against B&O tax due of up to \$35 per month. Firms with computed B&O tax liability of \$35 or less pay no tax. The credit amount is reduced as B&O tax liability exceeds \$35 per month and is phased out completely when the tax liability reaches \$70. In order to simplify calculation of the credit amount, 1997 legislation authorized the Department to prepare a credit table for use by all taxpayers, which applies the credit in \$5 increments.

Purpose: To provide tax relief to small businesses and encourage the growth of new firms.

Category/Year Enacted: Other business. 1994

Primary Beneficiaries: About 170,000 to 185,000 firms benefit from this credit each year.

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	\$ 24,000	\$ 24,120	\$ 24,241	\$ 24,362
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4452 RESEARCH & DEVELOPMENT TAX CREDIT FOR HIGH TECH

Description: A B&O tax credit is provided for qualified expenditures on research and development (R&D) by certain firms. Eligible firms must be engaged in one of five fields of high technology: advanced computing, advanced materials, biotechnology, electronic device technology or environment technology. The credit is allowed for eligible spending on R&D activities that exceeds 0.92 percent of the firm's taxable income. The credit is calculated based on the average tax rate of the firm (1.5 percent starting in 2011) and is capped at \$2 million per year for each participating firm. The B&O tax credit for R&D expenditures is currently scheduled to expire on January 1, 2015.

Purpose: To stimulate the creation of high wage jobs in high technology industries and encourage firms to proceed from the R&D phase to actual manufacturing of new products.

Category/Year Enacted: Business incentive. 1994; credit amounts revised in 1998 and the calculation procedure was revised in 2004 and 2005.

Primary Beneficiaries: Approximately 1,700 firms have utilized the credit since its inception.

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	\$ 24,383	\$ 27,243	\$ 29,765	\$ 31,463
Local taxes - not considered.				

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

82.04.44525 INTERNATIONAL SERVICES TAX CREDIT

Description: Firms engaged in certain international services are entitled to a B&O tax credit of \$3,000 for each new job they create. Eligible activities are defined in the statute; they include services such as computer, legal, accounting, engineering, architectural, advertising, and financial services. To qualify, the firm must be located in a community empowerment zone or in a city or group of contiguous cities with a population of at least 80,000.

Purpose: To attract and retain businesses that provide services to international customers and create jobs.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: To date, it is believed that fewer than three firms have actually applied for and qualify for this credit, although incorrect taxpayer reporting implies a somewhat larger participation rate.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.04.4461 AIRPLANE PRE-PRODUCTION EXPENDITURES

Description: A B&O tax credit is allowed for research and design expenditures by manufacturers of commercial aircraft or components of such aircraft. The amount of credit is equal to 1.5 percent of qualified pre-production expenditures, including the costs to design a new manufacturing process, but not actual production-related costs. The tax credit was effective on December 1, 2003. The credits may be taken on and after July 1, 2005. The credit is scheduled to expire on July 1, 2024.

Purpose: To encourage siting of a new assembly plant for a super-efficient aircraft in this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Manufacturers of commercial airplanes or components of such airplanes.

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	\$ 38,100	\$ 6,200	\$ 6,200	\$ 6,200
Local taxes - not considered.				

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

82.04.4463 PROPERTY & LEASEHOLD TAX ON AIRPLANE FACILITIES

Description: A B&O tax credit is allowed for state and local property taxes and leasehold excise taxes paid by manufacturers of commercial aircraft or components of such aircraft. The credit applies to: (1) property tax on new structures and the land upon which they are located; (2) property tax on the increased value that is attributable to renovation or expansion of existing facilities; and (3) personal property tax on eligible manufacturing machinery. Property taxes eligible for the credit are those paid on construction or acquisition of equipment made after the effective date of this statute. The credit is scheduled to expire on July 1, 2024.

Purpose: To encourage siting of a new assembly plant for a super-efficient aircraft in this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Manufacturers of commercial airplanes or components of such airplanes.

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	\$ 1,650	\$ 1,518	\$ 1,396	\$ 1,284
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.447 NATURAL GAS FOR DSI CUSTOMERS

Description: A credit against B&O tax is allowed for a direct service industry (DSI) firm that purchases electric power directly from the Bonneville Power Administration. The tax credit is equal to the amount of public utility tax paid on any natural gas purchased by the DSI to power a turbine in order to produce their own electric power. The tax credit lasts for 60 months and the firm must maintain its existing level of employment to take the credit.

Purpose: To encourage DSIs to continue manufacturing in Washington by constructing their own natural gas powered turbines after their BPA power contracts expire.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: To date, no firm has taken this tax credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, assuming some firms were actually taking the credit.

82.04.448 CREDIT FOR NEW SEMICONDUCTOR JOBS

Description: A credit against B&O tax liability is allowed for manufacturers of semiconductor materials. The credit equals \$3,000 for each new job located in a new structure of a firm that produces materials for manufacturing semiconductors. Credit is allowed for up to eight consecutive years. The credit will be contingent upon commencement of commercial operations at a new semiconductor microchip fabrication plant with an investment in new buildings and equipment of at least \$1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the credit does become effective, it is scheduled to expire 12 years after the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None to date.

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

BUSINESS TAXES

82.04.4481 PROPERTY TAX PAID ON ALUMINUM SMELTERS

Description: Credit is allowed against state B&O tax liability for the amount of property taxes paid on aluminum smelters. Credits may be carried over for one year and do not accrue for property taxes levied for collection in 2012 and after.

Purpose: The aluminum industry is electricity intensive and was greatly affected by the dramatic increase in electricity prices which began in 2000. The intent is to preserve and restore family wage jobs by providing tax relief to the state's aluminum industry.

Category/Year Enacted: Business incentive; 2004, expanded in 2006.

Primary Beneficiaries: Manufacturers of aluminum.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this tax credit cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

82.04.4482 PURCHASES OF POWER BY ALUMINUM SMELTERS

Description: Firms that are subject to B&O tax on sales of electricity, natural gas or manufactured gas are exempt from the tax on sales made to an aluminum smelter. As long as the contract price for the power stipulates that the tax savings will be passed on to the smelter via reduced prices, then the seller may take the exemption in the form of a tax credit. Most sellers of power are subject to the public utility tax, not the B&O. The B&O tax incentive applies principally to purchases of brokered natural gas.

Purpose: The aluminum industry is electricity intensive and was greatly affected by the dramatic increase in electricity prices which began in 2000. The intent is to preserve and restore family wage jobs by providing tax relief to the state's aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) There are fewer than three firms that benefit from this B&O tax credit; therefore the revenue impact cannot be stated publicly.

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

BUSINESS TAXES

82.04.4483 PRODUCTION OF SOFTWARE IN RURAL COUNTIES

Description: A credit against B&O tax is provided for firms that create employment positions in rural counties. The new jobs must be involved in computer programming or manufacturing of computer software. The credit is equal to \$1,000 for each new job created and may be taken for up to five years. This credit is scheduled to expire on January 1, 2011.

Purpose: To encourage computer software firms to expand in rural areas.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: Approximately 17 firms in 2006.

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	\$ 28	\$ 33	\$ 39	\$ 23
Local taxes - not considered.				

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

82.04.4484 HELP-DESK SERVICES IN RURAL COUNTIES

Description: A credit against B&O tax liability is allowed for income related to the provision of help-desk services provided from a location in a rural county. This credit is scheduled to expire on January 1, 2011.

Purpose: To encourage economic development in rural counties.

Category/Year Enacted: Business incentive. 2004 (replaces a similar credit which was effective from 1999 – 2003)

Primary Beneficiaries: Approximately 35 firms.

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	\$ 266	\$ 292	\$ 322	\$ 177
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4485 PATIENT LIFTING DEVICES FOR HOSPITALS

Description: Credit against B&O tax liability is provided for amounts spent on mechanical lifting devices or other equipment used to minimize patient handling. The credit is limited to \$1,000 per acute care in-patient bed for the facility. A cap of \$10 million applies to all credits taken under the program. Expenditures eligible for the credit must be made by December 30, 2010.

Purpose: To reduce injuries among patients and health care workers.

Category/Year Enacted: Business incentive, 2006

Primary Beneficiaries: Approximately 97 hospitals and medical centers.

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	\$ 3,068	\$ 3,327	\$ 1,720	\$ 0
Local taxes - not considered.				

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

82.04.4486 TAX PAID ON CARBONATED BEVERAGE SYRUP

Description: Chapter 82.64 RCW imposes a tax of \$1.00 per gallon on syrup used to produce carbonated beverages (except syrup used to produce trademarked canned or bottled beverages). Receipts are deposited in the violence reduction and drug enforcement account. The B&O credit provides that syrup tax paid after July 1, 2006 may be credited against B&O tax liability. The amount of credit is phased in: 25 percent for FY 2007; 50 percent for FY 2008; 75 percent for FY 2009 and 100 percent thereafter.

Purpose: To maintain existing revenues for violence reduction/drug enforcement programs while providing tax relief for sellers of carbonated beverages.

Category/Year Enacted: Other business; 2006.

Primary Beneficiaries: Businesses that prepare and sell carbonated beverages for consumption on-premises (i.e., not canned or bottled) and firms that manufacture nontrademarked beverages.

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	\$ 4,798	\$ 7,413	\$ 10,180	\$ 10,486
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.4487 AIRPLANES PRE-PRODUCTION EXPENDITURES

Description: A B&O tax credit, similar to the one provided by RCW 82.04.4461, is allowed for pre-production expenditures associated with production of commercial airplanes. This statute, however, allows firms that do not actually manufacture or assemble such an aircraft to take the credit on their R&D design and engineering costs. This credit expires on July 1, 2024.

Purpose: To encourage aerospace engineering and design activity in this state.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Firms involved in aerospace engineering and design which do not actually manufacture or assemble commercial airplanes.

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	\$ 488	\$ 494	\$ 500	\$ 250
Local taxes - not considered.				

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

82.04.4489 CONTRIBUTIONS TO MOTION PICTURE COMPETITIVENESS PROGRAM

Description: B&O tax credits are allowed for firms that make contributions to the Washington motion picture competitiveness program. The maximum credit that may be earned annually is 100 percent of the contributions for calendar year 2008 and 90 percent for subsequent years with a cap of \$1.0 million for each contributor. The maximum credit for all firms is \$3.5 million.

Purpose: To support the motion picture industry and to encourage production of motion pictures, television programs and commercials in this state.

Category/Year Enacted: Business incentive. 2006.

Primary Beneficiaries: The motion picture industry.

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	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Local taxes - not considered.				

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

BUSINESS TAXES

82.04.449 WORKFORCE TRAINING COSTS

Description: B&O tax credit is allowed for one-half of the costs of customized workforce training paid by employers to the State Board for Community Colleges.

Purpose: To facilitate training of new employees for new or expanding firms.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approximately 10 firms.

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	\$ 46	\$ 115	\$ 176	\$ 207
Local taxes - not considered.				

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

82.62.030 NEW JOBS IN RURAL COUNTIES

82.62.045

Description: Credit against B&O tax liability is provided for manufacturing, R&D or computer service firms that create new jobs in rural counties or community empowerment areas. Rural counties are defined as those with an average population density of less than 100 persons per square mile. The amount of the credit is \$2,000 for each new job created, unless the new position is paid wages and benefits of more than \$40,000 annually in which case the credit is \$4,000. To qualify the firm must increase its total jobs in an eligible area by at least 15 percent. The total amount of credit is capped at \$7.5 million.

Purpose: To encourage firms to expand in rural areas.

Category/Year Enacted: Business incentive. 1986, minor revisions in eligibility in 2007.

Primary Beneficiaries: Approximately 100 applicants per year.

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	\$ 2,738	\$ 3,448	\$ 3,025	\$ 2,973
Local taxes - not considered.				

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

BUSINESS TAXES

82.70.020 CREDIT FOR COMMUTE TRIP REDUCTION

Description: A credit against B&O tax is allowed for employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs. The amount of the tax credit is equal to one-half of the employer's expenditure and is limited to \$60 per employee per year. Any single firm may claim a maximum of \$200,000 in credits each year, and the program is capped at \$2.75 million annually for both B&O and public utility tax credits. The tax credit program is scheduled to expire on July 1, 2013.

Purpose: An incentive for employers to make financial incentives available to their employees to encourage car-pooling and reduction of air pollution, traffic congestion, and fuel consumption.

Category/Year Enacted: Other. 2003; cap increased in 2005.

Primary Beneficiaries: Approximately 290 companies participated in the program in 2006 (including both B&O and public utility tax credits)

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	\$ 2,640	\$ 2,640	\$ 2,640	\$ 2,640
Local taxes - not considered.				

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

82.73.030 CONTRIBUTIONS TO COMMERCIAL AREA REVITALIZATION

Description: The Mainstreet program tax incentive in Chapter 82.73 RCW allows contributions to eligible nonprofit organizations to be credited against B&O or public utility tax liability.

Purpose: To encourage contributions to eligible nonprofit organizations with a mission to revitalize downtown or neighborhood commercial areas.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: Firms that make eligible contributions to this 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	\$ 1,285	\$ 1,365	\$ 1,450	\$ 1,497
Local taxes - not considered.				

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

BUSINESS TAXES

PUBLIC UTILITY TAX

35.58.560 METRO TRANSIT EXPENDITURES

Description: Metropolitan municipal corporations (METRO) can credit or offset expenditures made for planning or performing the functions of public transportation against any state tax imposed on gross revenues derived from any authorized function.

Purpose: To support public transportation in King County.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: King County, which assumed the functions of the previous METRO jurisdiction in 1994.

Possible Program Inconsistency: Other municipalities pay public utility tax on income associated with operating transportation systems – except for the deduction for income devoted to service improvements for low-income and elderly customers (RCW 82.16.050(14)).

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 544	\$ 566	\$ 588	\$ 612
Local taxes - not considered.				

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

82.16.020(1d, e) URBAN TRANSPORTATION & VESSELS < 65 FT.

Description: Firms that operate vehicles for public use to convey persons or property for hire either: (1) entirely within a city or with five miles of a city, or (2) between cities which are not more than five miles apart are subject to public utility tax at a rate of 0.642 percent. This rate also applies to vessels for hire which are less than 65 feet in length. The public utility tax rate for most other forms of transportation is 1.926 percent.

Purpose: To encourage the use of public transportation.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Local transit systems, taxi companies, intra-city delivery 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	\$ 7,152	\$ 7,867	\$ 8,654	\$ 9,520
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.040 MONTHLY INCOME < \$2,000

Description: The threshold for public utility tax liability is gross operating income of \$2,000 per month. The exemption does not apply if income equals or exceeds \$2,000 per month.

Purpose: To encourage new or small public utility businesses and for administrative convenience.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Small utility firms.

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	\$ 500	\$ 500	\$ 500	\$ 500
Local taxes - not considered.				

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

82.16.0421 ELECTRICITY SOLD TO ELECTROLYTE PROCESSORS

Description: Exemption from public utility tax is provided for income received by a utility from the sale of electricity to a chlor-alkali or a sodium chlorate electrolytic processing business. The exemption expires on June 30, 2011 and does not apply to sales of electricity made after December 31, 2010.

Purpose: Supports the chemical industry which supplies the pulp and paper industry, principally sodium chlorate which is used in bleaching pulp for white paper products. Electricity is a prime raw material component in the processing of the product.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: One firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Only one firm currently utilizes this exemption and therefore the impact cannot be disclosed publicly.

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

BUSINESS TAXES

82.16.045 POLLUTION CONTROL CREDIT **82.34.060(2)**

Description: A credit against public utility tax is allowed for up to 50 percent of the installation cost of required pollution control facilities. Two percent of the allowable credit may be taken each year.

Purpose: To encourage pollution control and to compensate existing companies for the costs of meeting upgraded pollution standards.

Category/Year Enacted: Other business. 1967; new applications not allowable after 1981.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms have applied for the B&O, public utility or use tax credits. Eighteen firms have a remaining credit balance totaling \$15 million at the end of FY 2007.

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	\$ 586	\$ 469	\$ 375	\$ 300
Local taxes - not considered.				

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

82.16.046 2nd NARROWS BRIDGE

Description: Income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated under RCW 47.46 is exempt from public utility tax. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts from public utility tax any tolls received by the operator of the bridge.

Purpose: To lower the overall cost of operating the bridge.

Category/Year Enacted: Tax base. 1998

Primary Beneficiaries: Businesses contracted by the state to operate the bridge facilities and ultimately the drivers who use the bridge.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. It is understood that the tolls will actually be received by the state, not the firm contracted to collect the tolls. The contractor will be subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

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

BUSINESS TAXES

82.16.047 COMMUTE TRIP REDUCTION; SPECIAL NEEDS TRANSPORTATION

Description: An exemption is allowed from public utility tax for funds received in conjunction with commuter ride-sharing (e.g., vanpools) and receipts by nonprofit social service organizations that provide transportation services for persons with special transportation needs.

Purpose: To promote ride sharing and conservation of fuel and to help relieve traffic congestion. Also to support programs that help to provide mobility for persons with special transportation needs.

Category/Year Enacted: Other. 1979

Primary Beneficiaries: Approximately 67 private, nonprofit transportation providers and public transportation systems that provide transportation services.

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	\$ 346	\$ 363	\$ 380	\$ 398
Local taxes - not considered.				

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

82.16.0491 RURAL ELECTRIC UTILITY CONTRIBUTIONS

Description: A credit against public utility tax is allowed for up to 50 percent of the contributions made to an electric utility rural economic development revolving fund by a light and power company. In order to qualify, the revolving fund must be for a rural county with an average population density of fewer than 100 persons per square mile. To take the credit the light and power company must have fewer than 26 meters per mile of electric distribution line. Total tax credits are limited to \$350,000 annually and the maximum a particular firm may take is \$25,000. The right to earn new tax credits under this statute is scheduled to expire on June 30, 2011. However, eligible contributions made before this date may still be taken as tax credits subsequently.

Purpose: To encourage economic development in rural areas.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Approximately 12 light and power companies are taking the 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	\$ 300	\$ 300	\$ 300	\$ 300
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.0495 POWER PURCHASED BY DSI CUSTOMERS

Description: A credit against public utility tax is provided for income from sales of electricity to direct service industries (DSIs), if the electric utility constructs a new power plant to supply the needs of the DSI firm. DSIs are firms that purchase electric power directly from the Bonneville Power Administration. The tax credit lasts for a 60 month period, and the law requires that the benefit of the credit be passed on to the DSI customer, as long as the DSI maintains existing employment levels for at least five years. Also, a 10 year contract to supply power to the DSI is required.

Purpose: To encourage DSI firms to continue manufacturing in Washington after their power supply contracts with BPA expire by switching to power from newly constructed power facilities.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: Only one firm has applied for this tax credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The impact of this tax credit cannot be disclosed, because it is being utilized by fewer than three taxpayers.

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

82.16.0497 CREDIT FOR BILLING DISCOUNTS

Description: A credit against public utility tax liability is allowed for 50 percent of the billing discounts provided to low-income households by light and power companies and natural gas distribution firms. The credit is limited to amounts in excess of 125 percent of the amounts provided in fiscal year 2000. The total of these credits for all firms was capped at \$2.5 million annually, but starting in fiscal year 2007 was increased to \$5.5 million.

Purpose: To encourage electric and gas companies to provide discounts to low-income customers.

Category/Year Enacted: Other business. 2001

Primary Beneficiaries: Approximately 25 firms utilize this tax 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	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.0498 PURCHASES OF POWER BY ALUMINUM SMELTERS

Description: Income derived from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is exempt from public utility tax. The contract for the sale of the power must specify that the price charged will be reduced by the amount of the tax savings for the utility company. The exemption is taken in the form of a credit against the utility's public utility tax liability.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Fewer than three firms take advantage of this credit and therefore the amount cannot be disclosed publicly.

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

82.16.050(1) RECEIPTS FROM TAXES

Description: A deduction from gross operating income subject to public utility tax is allowed for revenues received via local taxes levied by local governments for the support of municipally owned or operated public service businesses. This principally covers municipal water, sewer and transit systems.

Purpose: To eliminate the possibility of pyramiding by applying a state tax to amounts derived from local utility taxes.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Municipal utilities.

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	\$ 13,886	\$ 14,580	\$ 15,309	\$ 16,074
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.050(2) SALES FOR RESALE

Description: A deduction from gross operating income subject to public utility tax is allowed for sales made to other public utility firms that resell the commodity within the state.

Purpose: To avoid pyramiding of the public utility tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Natural gas and water utilities.

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	\$ 2,636	\$ 2,636	\$ 2,636	\$ 2,636
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; not unless the tax were intended to pyramid.

82.16.050(3) JOINT UTILITY SERVICES

Description: A deduction from gross operating income subject to public utility tax is allowed for payments made to another public service firm relating to services provided jointly by both firms, as long as the payment is reported as taxable income by the firm making the payment and is subject to public utility tax by the firm that receives the payment.

Purpose: To eliminate pyramiding of the public utility tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Firms that jointly provide utility services to customers.

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	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.050(4) CASH DISCOUNTS

Description: A deduction from gross operating income subject to public utility tax is allowed for cash discounts taken by customers, if the cash discounts were included in gross revenue reported by the firm.

Purpose: The deduction recognizes that this income is not actually received by the firm.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Utility firms that offer cash discounts to customers.

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	\$ 209	\$ 209	\$ 209	\$ 209
Local taxes - not considered.				

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

82.16.050(5) CREDIT LOSSES

Description: A deduction from gross operating income subject to public utility tax is allowed for the amount of losses resulting from nonpayment of accounts, as long as the taxpayers maintain their books on an accrual basis.

Purpose: To recognize that no income is actually received by the seller and to provide equity with taxpayers who maintain their books on the cash basis.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Any firm that uses the accrual method of accounting and experiences unpaid debts.

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	\$ 1,891	\$ 1,891	\$ 1,891	\$ 1,891
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.050(6) CONSTITUTIONAL EXEMPTIONS

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts derived from business which the state is prohibited from taxing under the constitution of the state or constitution or laws of the U.S. The primary activity exempted from public utility tax for constitutional reasons is transportation of persons or property across state lines in interstate commerce.

Purpose: To avoid interfering with interstate or foreign commerce.

Category/Year Enacted: Commerce. 1935

Primary Beneficiaries: Truckers, airlines, railroads, busses, 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	\$ 93,198	\$ 95,997	\$ 98,873	\$101,840
Local taxes - not considered.				

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

82.16.050(6) IN-STATE PORTION OF INTERSTATE TRANSPORTATION

Description: A sub-set of the above exemption for constitutional reasons relates to transportation of persons or property which crosses Washington boundaries. Under current law income from the entire trip is deductible from public utility tax if it crosses the state boundaries. For example, a bus trip from Seattle to Spokane is subject to tax, but a trip from Seattle to Coeur d'Alene, Idaho is entirely exempt.

Purpose: This policy reflects the interpretation that states may not tax interstate commerce. However, there may be a possibility that the state could legally tax the portion of interstate transportation which occurs within the state, if a reasonable apportionment formula could be developed.

Category/Year Enacted: Commerce. 1935

Primary Beneficiaries: Interstate transportation companies and their passengers. NOTE: air transportation is excluded due to the U.S. Supreme Court decision in the 1983 Aloha Airlines case.

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	\$ 5,070	\$ 5,222	\$ 5,379	\$ 5,540
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly; it would depend upon an interpretation by the courts.

BUSINESS TAXES

82.16.050(7) IRRIGATION WATER

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from the distribution of water used for the purpose of irrigation.

Purpose: To lower the cost of irrigation water for agricultural producers.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Approximately 46 irrigation districts and their customers.

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	\$ 637	\$ 669	\$ 702	\$ 737
Local taxes - not considered.				

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

82.16.050(8) INTERSTATE TRANSPORTATION - THROUGH FREIGHT

Description: A deduction from gross operating income subject to public utility tax is allowed for income received from transportation within the state relating to imported or exported goods which have technically ceased movement in interstate commerce. Such items must have been shipped under a "through freight" billing.

Purpose: Current practice is not to tax the transportation of persons or property across state lines because of the constitutional prohibition of taxing interstate commerce. This exemption extends that favorable treatment by ignoring temporary stops within Washington before the goods reach their ultimate destination.

Category/Year Enacted: Commerce. 1937

Primary Beneficiaries: Shippers of goods passing through the 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	\$ 15,665	\$ 16,136	\$ 16,619	\$ 17,119
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.050(9) SHIPMENTS TO PORTS

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from shipping products produced in Washington to export facilities in the state, including docks, wharfs and elevators, if the products are then shipped outside of the state in vessels. The deduction does not apply if the shipment occurs solely within the same city.

Purpose: To promote the export of Washington products.

Category/Year Enacted: Agriculture. 1937

Primary Beneficiaries: Firms that transport agricultural products to Washington ports.

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	\$ 7,406	\$ 7,628	\$ 7,857	\$ 8,092
Local taxes - not considered.				

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

82.16.050(10) FARM PRODUCTS SHIPPED TO PORTS

Description: Public utility tax deduction is allowed for gross income derived from the transportation of agricultural commodities from point of origin in this state to interim storage facilities in this state for trans-shipment, without intervening transportation, to a marine export facility for shipment by vessel outside of the state. The deduction only applies if: (1) at least 96 percent of all agricultural commodities delivered by the person claiming the deduction during the preceding year was shipped by vessel in original form outside the state, and (2) any of the commodities that are trans-shipped from interim storage facilities to export facilities will be received at storage facilities operated by the same commodity dealer and will be shipped from such facilities by vessel in original form outside the state.

Purpose: Allows the Department to continue a long-standing administrative practice of not taxing income derived from hauling grain by truck to interim storage facilities for trans-shipment by barge or rail to export facilities, followed by subsequent transportation by vessel to interstate or foreign destinations.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons who transport grain and other agricultural 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	\$ 55	\$ 124	\$ 196	\$ 272
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.050(11) ELECTRIC POWER THAT IS RESOLD OR EXPORTED

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts derived from the production, sale or transfer of electrical energy for resale within or outside of the state or for consumption outside of the state.

Purpose: To reflect a court decision barring direct taxation of interstate power sales, and to avoid pyramiding of the tax on in-state sales of power for resale.

Category/Year Enacted: Tax base. 1989; expanded in 2000.

Primary Beneficiaries: Light and power businesses and power marketers.

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	\$120,000	\$120,000	\$120,000	\$120,000
Local taxes - not considered.				

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

82.16.050(12) NONPROFIT WATER ASSOCIATIONS

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from the distribution of water by a nonprofit water association, if the income is used for capital improvements of the association.

Purpose: To promote capital improvements and expansion of water distribution systems.

Category/Year Enacted: Nonprofit - other. 1977

Primary Beneficiaries: Nonprofit water associations and their members.

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	\$ 325	\$ 325	\$ 325	\$ 325
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.050(13) DISPOSAL OF SEWERAGE

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts paid to other firms for the treatment or disposal of sewerage. Public utility tax applies only to the actual collection of sewerage, not processing (these activities are subject to B&O tax). If the firm that collects the sewerage contracts with other firms for treatment and disposal services, the amounts paid to these firms are deductible.

Purpose: To ensure that public utility tax applies only to the collection activity.

Category/Year Enacted: Tax base. 1987

Primary Beneficiaries: Sewerage collection firms.

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	\$ 6,440	\$ 6,891	\$ 7,373	\$ 7,889
Local taxes - not considered.				

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

82.16.050(14) TRANSIT IMPROVEMENTS FOR LOW-INCOME/ELDERLY

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from fees or charges imposed for transit services provided by a public transportation agency, as long as the transit agency uses the amount deducted to adjust routes to improve access for citizens to food banks and senior services and add new routes to assist low-income citizens.

Purpose: To promote better transit services for low-income and elderly persons.

Category/Year Enacted: Government. 2006

Primary Beneficiaries: Public transportation agencies.

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	\$ 519	\$ 519	\$ 519	\$ 519
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.053 ELECTRIC POWER SOLD IN RURAL AREAS

Description: A deduction from gross operating income subject to public utility tax is allowed for light and power businesses whose customers are geographically dispersed. The amount of the deduction is based on the number of customers per mile of distribution line. The maximum deduction for a firm is equal to \$400,000 per month.

Purpose: To reduce the cost of providing electricity to areas with geographically dispersed customers.

Category/Year Enacted: Other business. 1994; deductible amounts increased in 1996.

Primary Beneficiaries: Public utility districts, power and light cooperatives and rural electric associations and their customers.

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	\$ 700	\$ 700	\$ 700	\$ 700
Local taxes - not considered.				

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

82.16.055 COGENERATION AND RENEWABLE RESOURCES

Description: A deduction from gross operating income subject to public utility tax is allowed for the cost of producing energy through: (1) cogeneration facilities as defined in RCW 82.35.020, or (2) renewable energy resources such as solar energy, wind, hydroelectric, wood, and agricultural products. The deduction is also allowed for expenditures to reduce or improve the efficiency of energy use by consumers. The deduction applies only to new facilities or measure to improve energy use on which construction or installation began after June 12, 1980 and before January 1, 1990. The deduction for cogeneration facilities is allowed for a period of up to 30 years.

Purpose: To encourage investment in cogeneration facilities and the use of renewable energy resources.

Category/Year Enacted: Business incentive. 1980

Primary Beneficiaries: Approximately four light and power firms are using this deduction.

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	\$ 150	\$ 150
Local taxes - not considered.				

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

BUSINESS TAXES

82.16.130 RENEWABLE ENERGY RESOURCES

Description: A credit against public utility tax liability is provided for light and power businesses for amounts paid to customers as investment cost recovery incentives. These incentives are allowed pursuant to RCW 82.16.120 for investment in renewable energy systems; the maximum annual payment per customer is \$2,000. The tax credit will expire on June 30, 2016.

Purpose: To encourage investment in renewable energy resources.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Light and power companies that make payments to customers via this 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	\$ 50	\$ 50	\$ 50
Local taxes - not considered.				

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

82.16.300 HAULING FARM PRODUCTS FOR RELATIVES

Description: Exemption from public utility tax is provided for income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal.

Purpose: To provide tax relief for persons who haul farm products for their relatives.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons who haul farm products for their relatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The situations where this exemption would be applicable is believed to be quite rare. While the impact cannot be quantified, it is likely minimal.

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

BUSINESS TAXES

82.70.020 CREDIT FOR COMMUTE TRIP REDUCTION

Description: A credit against public utility tax is allowed for employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs. The amount of the tax credit is equal to one-half of the employer's expenditure and is limited to \$60 per employee per year. Any single firm may claim a maximum of \$200,000 in credits each year, and the program is capped at \$2.75 million annually for both B&O and public utility tax credits. The tax credit program is currently scheduled to expire on July 1, 2013.

Purpose: To provide an incentive for employers to give financial incentives to employees to encourage car-pooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

Category/Year Enacted: Other. 2003 (cap increased in 2005)

Primary Beneficiaries: Approximately 290 companies participated in the program in 2006 (including both B&O and public utility tax credits).

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	\$ 110	\$ 110	\$ 110	\$ 110
Local taxes - not considered.				

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

82.73.030 CONTRIBUTIONS TO COMMERCIAL AREA REVITALIZATION

Description: The Mainstreet program tax incentive in Chapter 82.73 RCW allows contributions to eligible nonprofit organizations to be credited against B&O or public utility tax liability.

Purpose: To encourage contributions to eligible nonprofit organizations with a mission to revitalize downtown or neighborhood commercial areas.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: None to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None to date. All of the credits have been against B&O tax liability.

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

BUSINESS TAXES

OTHER BUSINESS TAXES - INSURANCE PREMIUMS TAX

48.14.020 TITLE INSURANCE

Description: Title insurance companies are exempt from the 2.0 percent insurance premiums tax. However, they do pay B&O tax under the retailing classification and collect retail sales tax from their customers.

Purpose: To reflect the fact that title insurance is subject to retail sales tax.

Category/Year Enacted: Tax base. 1947

Primary Beneficiaries: Approximately 58 title insurance companies.

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	\$ 7,621	\$ 7,735	\$ 7,851	\$ 7,969
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; a net reduction in tax would occur if the activity were switched from B&O/retail sales tax.

48.14.020 ANNUITIES

Description: Amounts received by insurance companies for granting annuities are exempt from insurance premiums tax.

Purpose: To reduce the cost of annuities.

Category/Year Enacted: Tax base. 1979.

Primary Beneficiaries: Insurance companies that sell annuities and the individuals who purchase 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	\$ 64,125	\$ 64,446	\$ 64,768	\$ 65,092
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; annuities are somewhat different than an insurance policy.

BUSINESS TAXES

48.14.020(3) RATE FOR OCEAN MARINE INSURANCE

Description: Insurance premiums tax is levied at a rate of 0.95 percent on the gross underwriting profit of ocean marine and foreign trade insurers, rather than the 2.0 percent rate paid by other domestic and foreign insurers. Furthermore, these insurers pay premiums tax on much smaller taxable income than do other insurers, because losses can be deducted from premium income.

Purpose: To support ocean marine commerce.

Category/Year Enacted: Business incentive. 1947

Primary Beneficiaries: Companies that provide ocean marine and foreign trade insurance.

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	\$ 1,789	\$ 1,798	\$ 1,807	\$ 1,816
Local taxes - none.				

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

48.14.0201(6a) MEDICARE RECEIPTS

Description: Health maintenance organizations (HMOs) and health care service contractors (HCSCs) are exempt from premiums tax on Medicare payments received from the federal government.

Purpose: To reduce the cost of providing health care for Medicare patients.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HMOs and HCSCs that provide coverage for Medicare patients.

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	\$ 19,716	\$ 20,406	\$ 21,120	\$ 21,859
Local taxes - none.				

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

BUSINESS TAXES

48.14.0201(6b) DENTISTRY

Description: Health care service contractors (HCSCs) are exempt from insurance premiums tax on amounts received from dental plans.

Purpose: To reduce the cost of providing dental coverage.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HCSCs that provide dental benefits.

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	\$ 12,686	\$ 13,447	\$ 14,254	\$ 15,109
Local taxes - none.				

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

48.14.022 HEALTH INSURANCE BY WASH. STATE POOL

Description: Any carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool pursuant to Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, this statute allows carriers, health care service contractors and HMOs to deduct from taxable premiums any assessments paid to the Washington State Health Insurance Pool.

Purpose: To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered as high risk.

Category/Year Enacted: Other business. 1987

Primary Beneficiaries: Persons who obtain coverage under the Health Insurance Coverage Access Act.

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	\$ 769	\$ 773	\$ 777	\$ 781
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although this could cause insurers to pass the amount of the assessment on to their regular policy holders and thereby make health insurance more expensive for the general population.

BUSINESS TAXES

48.32.145 INSURANCE GUARANTEE FUNDS 48.32A.125

Description: Assessments are made by the Insurance Commissioner against property, casualty, life and disability insurers to pay claims made against insolvent insurers. The assessment may be credited against a firm's insurance premiums tax over a five year period.

Purpose: To ensure that claims against insolvent insurance companies are paid and that the cost is not borne by the policyholders of the surviving companies.

Category/Year Enacted: Other business. 1976

Primary Beneficiaries: Insurance companies.

Possible Program Inconsistency: The state does not normally become involved in payment of debts of private firms.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 6,496	\$ 6,593	\$ 6,692	\$ 6,793
Local taxes - none.				

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

48.36A.240 FRATERNAL BENEFIT SOCIETIES

Description: Fraternal benefit societies are governed by Chapter 48.36A RCW and are exempt from all Washington State insurance laws. This statute exempts such societies from state and local taxation other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

Purpose: To support the programs of these organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1947; recodified in 1987.

Primary Beneficiaries: Approximately 23 nonprofit, mutual organizations and their members.

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	\$ 2,795	\$ 2,809	\$ 2,823	\$ 2,837
Local taxes - none.				

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

BUSINESS TAXES

OTHER BUSINESS TAXES - PARIMUTUEL TAX

67.16.105(1) NONPROFIT RACES

Description: Parimutuel tax does not apply to horse race events which are nonprofit in nature and do not last longer than 10 days annually.

Purpose: To support nonprofit horse race events.

Category/Year Enacted: Other business. 1979; rate schedule revised in 1985, 1991 and 1998.

Primary Beneficiaries: Operators of nonprofit horse race events.

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	\$ 9	\$ 10	\$ 10
Local taxes - no local tax levied				

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

67.16.105(2) DIFFERENTIAL PARIMUTUEL TAX RATES

Description: The parimutuel tax on gross receipts of betting machines at licensed horse races features two tax rates depending upon the total wagering receipts at the particular track for the previous year. If receipts were greater than \$50 million, the tax rate is 1.3 percent. If receipts were less than \$50 million, the tax rate is 1.803 percent.

Purpose: The higher 1.803 percent pari-mutuel rate category for smaller race tracks is attributable to a proposed new track in 2002. However, the anticipated revenues at the existing 1.3 percent rate did not generate sufficient funds to cover the state's cost of supervision; thus the higher tax rate was added to the statute. This track was never constructed and currently the only race track in operation pays the original 1.3 percent rate.

Category/Year Enacted: Other business. 1979; rate schedule revised in 1985, 1991 and 1998.

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The only race track currently in operation pays parimutuel tax at the 1.3 percent rate, as originally intended. There are no taxpayer savings since the large race tracks were never intended to be taxed at the 1.803 percent rate.

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

BUSINESS TAXES

OTHER BUSINESS TAXES - REFUSE COLLECTION TAX

82.18.050 REFUSE SERVICE FOR FEDERAL GOVERNMENT

Description: Exemption from the 3.6 percent refuse collection tax is allowed for garbage collection service provided to the federal government.

Purpose: To reflect the prohibition against taxing the federal government.

Category/Year Enacted: Government. 1986

Primary Beneficiaries: The U.S. government and its agencies.

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	\$ 275	\$ 287	\$ 296	\$ 306
Local taxes - none.				

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

OTHER BUSINESS TAXES - LITTER TAX

82.19.050(1) PRODUCTS SHIPPED OUT OF STATE

Description: Exemption from the 0.015 percent litter tax is provided for products which are manufactured in or sold from a location in this state but are for use or consumption outside of the state.

Purpose: To recognize that litter tax is typically associated with the consumption of products and the consumption of such products occurring outside of Washington should therefore not be taxed

Category/Year Enacted: Tax base. 1992

Primary Beneficiaries: Approximately 2,000 firms that pay litter tax.

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	\$ 1,263	\$ 1,349	\$ 1,440	\$ 1,538
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although there may be constitutional problems related to taxing interstate commerce.

BUSINESS TAXES

82.19.050(2) AGRICULTURAL PRODUCTS

Description: Exemption from litter tax is provided for agricultural crops and animals that are produced by farmers for sale at wholesale.

Purpose: To recognize that food products sold at wholesale are not generally associated with significant amounts of litter.

Category/Year Enacted: Agriculture. 1971

Primary Beneficiaries: Farmers.

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	\$ 918	\$ 936	\$ 955	\$ 974
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; it's not clear who would otherwise be paying the litter tax on agricultural products. The producers of agricultural products are generally not subject to B&O tax and therefore are not registered or filing state excise tax returns upon which the litter tax is reported.

82.19.050(3) GROCERY COOPERATIVES

Description: Products sold by a qualified grocery cooperative to its members are not subject to litter tax.

Purpose: To reflect the fact that title to the goods remains with the cooperative and an actual sale does not take place.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: It is believed that a single cooperative benefits from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

BUSINESS TAXES

82.19.050(4) FOOD & BEVERAGES ON-PREMISES

Description: Sales of food and drink are exempt from litter tax for restaurants and other eating and drinking establishments. To qualify for the exemption, the food and beverages must be consumed on the premises of the seller or at an adjacent, indoor eating area (e.g., food court at a mall).

Purpose: To recognize that food and drinks consumed on the premises of the seller generally do not contribute to the litter problem.

Category/Year Enacted: Tax base. 2003

Primary Beneficiaries: Approximately 11,000 restaurants and other eating/drinking establishments.

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	\$ 639	\$ 671	\$ 705	\$ 740
Local taxes - none.				

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

82.19.050(5) CATERERS

Description: Exemption from litter tax is allowed for catered food and beverages which is served for immediate consumption at premises which are controlled by the customer.

Purpose: To relieve caterers from the litter tax.

Category/Year Enacted: Other business. 2005

Primary Beneficiaries: Approximately 600 food service and catering businesses

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	\$ 37	\$ 38	\$ 40	\$ 42
Local taxes - none.				

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

BUSINESS TAXES

OTHER BUSINESS TAXES - PETROLEUM PRODUCTS TAX

82.23A.010(1) EXCLUSION OF CRUDE OIL

Description: The definition of petroleum products includes a variety of products derived from crude oil but excludes crude oil itself.

Purpose: To avoid taxing both the products and the substance from which they are derived.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Refineries.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.010(1) EXCLUSION OF LIQUIFIED GASSES

Description: Originally, the tax applied to liquefied or liquefiable gasses such as propane and butane but these were removed from the definition of taxable products in 2004.

Purpose: Presumably fuel in a gaseous state does not impose as much risk to the environment.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Manufacturers of fuel gas.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

BUSINESS TAXES

82.23A.030(1) SUCCESSIVE USES OF PETROLEUM

Description: Successive possession of petroleum products that were previously subject to the 0.5 percent petroleum products tax is exempt from the tax.

Purpose: The tax is intended to apply only to the first use of petroleum products within the state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Wholesalers, distributors and retailers of petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.030(2) DOMESTIC USES OF PETROLEUM

Description: Petroleum that is used by persons (not businesses) for personal or domestic purposes is exempt from petroleum products tax.

Purpose: The tax is intended to apply only to businesses that import or produce petroleum in this state.

Category/Year Enacted: Individuals. 1989

Primary Beneficiaries: Principally applies to individuals who bring motor vehicle fuel into the state in the fuel tanks of their personal vehicles.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

BUSINESS TAXES

82.23A.030(3) CONSTITUTIONAL EXEMPTIONS

Description: Petroleum products tax does not apply to persons or activities which the state cannot tax under the U.S. Constitution.

Purpose: Covers the first use of petroleum products by the military and Indian tribes, as well as products that are in the process of interstate commerce.

Category/Year Enacted: Commerce. 1989

Primary Beneficiaries: The federal government and Indian tribes.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.030(4) PETROLEUM USED PRIOR TO 7/1/1989

Description: Possession of petroleum before the effective date of tax (7/1/1989) is exempt.

Purpose: To prevent the tax from applying to petroleum on which the owners did not anticipate having to pay tax.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: None; it is assumed that there are no petroleum products remaining in inventory since 1989.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None.

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

BUSINESS TAXES

82.23A.030(5) FUEL USED IN PROCESSING

Description: Exemption from petroleum products tax is provided for natural gas, petroleum coke, liquid fuel, or fuel gas that is used in processing of petroleum products.

Purpose: To exclude fuels that are consumed in processing and restrict the tax to products that are ultimately sold at retail.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Petroleum refiners.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.030(6) EXPORTED PETROLEUM PRODUCTS

Description: Petroleum products that are exported for use outside of Washington are exempt from tax.

Purpose: The tax is intended to apply only to products ultimately used in this state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Petroleum exporters.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

BUSINESS TAXES

82.23A.030(7) PACKAGED PETROLEUM PRODUCTS

Description: Petroleum products that are packaged are not subject to the tax.

Purpose: The purpose of the tax is to generate funds to provide adequate insurance and funding for programs to clean up discharges from leaking underground petroleum storage tanks. Presumably packaged products are not stored in such tanks and do not have the potential to cause pollution.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Importers of packaged petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The extent of packaged petroleum products is believed to be minimal. Further, the petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.040(1) PETROLEUM IN VEHICLE FUEL TANKS

Description: A credit is allowed against the petroleum products tax for fuel that is exported from the state in the fuel tank of any vehicle, including airplanes, ships or trucks.

Purpose: The tax is paid upon the first use of the products in Washington which have the potential to cause environmental damage. It is presumed that once fuel is deposited into vehicle fuel tanks that the risk to the environment is significantly reduced.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Refiners and wholesalers who deliver their products outside the state.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

BUSINESS TAXES

82.23A.040(2) CREDIT FOR OTHER STATES' PETROLEUM TAXES

Description: A credit is allowed against the petroleum products tax for any similar tax paid upon the same product in other states. To qualify for the credit, such taxes must be imposed upon the wholesale value of the petroleum products and not constitute an income or value-added tax.

Purpose: To avoid the possibility of double taxation of the same product.

Category/Year Enacted: Commerce. 1989

Primary Beneficiaries: Importers of products from jurisdictions with similar taxes on petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) No such credits are known to have been taken. Further, the petroleum products tax was last imposed during fiscal year 2004. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

OTHER BUSINESS TAXES - OIL SPILL TAX

82.23B.030 SECONDARY TRANSPORTATION

Description: Exemption from the oil spill tax is provided for transportation or off-loading of the same products after the initial off-loading in Washington.

Purpose: The tax is intended to apply only to the initial off-loading of crude oil or petroleum products in Washington.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Washington refiners and manufacturers.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. In order for this exemption to be applicable, the oil would have to be off-loaded in Washington from a vessel, reloaded onto another vessel and then off-loaded a second time in the state.

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

BUSINESS TAXES

82.23B.040 EXPORTED PETROLEUM PRODUCTS

Description: A credit against the oil spill tax is allowed for oil spill tax originally paid on crude oil or petroleum products which are subsequently exported from or sold for export from the state.

Purpose: Only products to be consumed within the state are intended to be taxed.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Exporters of crude oil or petroleum products that were off-loaded in this state.

Possible Program Inconsistency: Since crude oil or petroleum that is shipped through the state for export is no less likely to spill than similar products that remain in the state, this credit could be considered as being inconsistent with the oil spill prevention and response program.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 3,675	\$ 3,786	\$ 3,899	\$ 4,016
Local taxes - none.				

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

82.23B.045 CREDIT FOR NONFUEL USES

Description: A credit against the oil spill tax is allowed for any oil spill tax previously paid on crude oil or petroleum products which are not ultimately used as fuel or are used in a manufacturing process.

Purpose: To ensure that the tax applies only to crude oil or petroleum that is ultimately used as fuel.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Manufacturers and consumers of crude oil and petroleum 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	\$ 297	\$ 306	\$ 315	\$ 325
Local taxes - none.				

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

BUSINESS TAXES

OTHER BUSINESS TAXES - ENHANCED FOOD FISH TAX

82.27.010 TUNA, MACKEREL & JACK FISH

Description: Exemption from the enhanced food fish tax is allowed for tuna, mackerel and jack fish.

Purpose: To reflect economic conditions facing fishers of tuna, mackerel and jack fish and possibly the fact that albacore tuna have a vast migratory range and are largely caught in international waters.

Category/Year Enacted: Other business. 1995

Primary Beneficiaries: Fishers of tuna, mackerel and jack fish.

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	\$ 339	\$ 339	\$ 339	\$ 339
Local taxes - none.				

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

82.27.020(2) DEDUCTION FOR ONE-HALF OF FISH TAX

Description: Persons who possess enhanced food fish and who are liable for the tax may deduct one-half of the fish tax liability from the amount they pay to the person who caught the fish.

Purpose: To enable the processor to share the fish tax burden with the person who caught the fish. This deduction does not reduce the amount of fish tax that is paid, but only allows the fisher and the processor to share the liability of the tax on an equal basis.

Category/Year Enacted: Tax base. 1980

Primary Beneficiaries: Fish processors.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) This provision merely allows the fish processor to share the economic burden of the fish tax with the person who originally caught the fish. It does not result in any reduction of the actual fish tax that is paid.

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

BUSINESS TAXES

82.27.020(4) DIFFERENTIAL FISH TAX RATES

Description: The tax on enhanced food fish consists of five different tax rates (including surtax): (1) chinook, coho and chum salmon and steelhead, 5.62 percent; (2) pink and sockeye salmon, 3.37 percent; (3) oysters, 0.09 percent; (4) sea urchins and cucumbers, 4.922 percent through 2010 and 2.247 percent starting in 2011; and (5) all other food fish and shellfish, 2.247 percent.

Purpose: To reflect market conditions for the various types of fish.

Category/Year Enacted: Other business. 1980

Primary Beneficiaries: Fishers of the species that are subject to the lower tax rates.

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	\$ 2,510	\$ 2,510	\$ 2,510	\$ 2,510
Local taxes - none.				

*The estimate is based on increasing all lower tax rates to 5.62 percent.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although this would represent a very large increase in tax for the lower rate categories, especially oysters.

82.27.030(1 & 3) IMPORTED FISH OR FISH PRODUCTS

Description: Enhanced food fish and shellfish, including parts or byproducts thereof, which are shipped into the state and frozen fish or fish products that are packaged for retail sale are exempt from the tax.

Purpose: The tax is not intended to apply to fish that are originally landed in another state or are packaged and processed for retail sale outside the state.

Category/Year Enacted: Tax base. 1980

Primary Beneficiaries: Importers of frozen or packaged fish.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The fish tax is not intended to apply to fish originally landed in another state and then imported into Washington or fish products that are processed and packaged in another state and imported for sale here.

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

BUSINESS TAXES

82.27.030(2) COMMERCIALLY GROWN FISH & SHELLFISH

Description: Food fish that are raised from eggs and shellfish grown by agricultural methods are exempt from fish tax.

Purpose: The tax is not intended to apply to commercially produced fish and shellfish.

Category/Year Enacted: Tax base. 1980; extended to shellfish in 1995.

Primary Beneficiaries: Commercial producers of food fish and shellfish.

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	\$ 5,929	\$ 6,047	\$ 6,168	\$ 6,292
Local taxes - none.				

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

82.27.040 CREDIT FOR FISH TAXES PAID TO OTHER JURISDICTIONS

Description: A credit is allowed against the enhanced food fish tax for any tax previously paid on the same fish to any other taxing jurisdiction.

Purpose: To avoid double taxation of the same product under the same type of tax.

Category/Year Enacted: Tax base. 1980

Primary Beneficiaries: The number of taxpayers who claim this credit varies widely among reporting periods due to seasonal fluctuations in this industry. Approximately 40 fishers claim this 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	\$ 426	\$ 426	\$ 426	\$ 426
Local taxes - none.				

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

BUSINESS TAXES

OTHER BUSINESS TAXES - SOFT DRINKS SYRUP TAX

82.64.030(1) SUCCESSIVE POSSESSION

Description: Successive sales of concentrated syrup used to produce carbonated beverages upon which the tax was previously paid are exempt from the soft drinks syrup tax.

Purpose: To avoid pyramiding of the tax. Originally, the tax was structured as a first-possession tax and this exemption helped to assure that only the first possessor would be liable for the tax. This was changed in 1991 and the tax now applies at either the wholesale or retail level. However, this exemption assures that the tax will only apply to the same syrup one time.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Retailers and wholesalers of carbonated beverages who use syrup.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. There are no data on successive sales of previously taxed syrup, but it is believed that most syrup is actually used by the firm that pays the tax.

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

82.64.030(2) EXPORTED SYRUP

Description: Exemption is allowed for soft drink syrup that is shipped out of state.

Purpose: To limit the tax to syrup used to produce soft drinks that are consumed in this state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Exporters of carbonated beverage syrup.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. There is no evidence of syrup taxpayers taking a deduction for out of state sales.

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

BUSINESS TAXES

82.64.030(3) TRADEMARKED SYRUP THAT IS RESOLD

Description: Wholesale sales of trademarked carbonated beverage syrup are exempt from the syrup tax, if the syrup is sold to a bottler who is appointed by the owner of the syrup trademark to manufacture, distribute and sell the syrup. Ordinarily, the bottler of trademarked syrup uses the syrup to produce canned or bottled soft drinks; such syrup is subject to the syrup tax. But in instances where the bottler, in turn, sells the syrup to another bottler or retailer this exemption applies to the transaction, because the tax will be owed by the second purchaser of the syrup.

Purpose: To shift the tax from the bottler to the next purchaser of the trademarked syrup, so that the tax will only be paid once on each gallon of syrup.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Bottlers of trademarked beverages.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; the tax is simply shifted to the next purchaser. In any case, the volume of sales of syrup by trademarked bottlers to other bottlers or retailers is not known.

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

82.64.030(4) SYRUP TAXABLE PRIOR TO 6/1/1991

Description: This exemption applies to soft drinks syrup upon which tax was paid prior to June 1, 1991.

Purpose: In 1991 the nature of the carbonated beverage tax was changed so that the wholesale transaction was taxed, instead of the first possession of the product. This exemption was then necessary to avoid double taxation of the same product.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: No current beneficiaries.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; this exemption is no longer applicable, due to the shelf-life of syrup.

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

BUSINESS TAXES

82.64.040 CREDIT FOR OTHER SYRUP TAXES

Description: A credit against the Washington soft drinks syrup tax is allowed for the amount of any similar taxes paid on the same product to a jurisdiction in another state or foreign country.

Purpose: To avoid double taxation of the same product.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Importers of soft drink syrup.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; there are no known taxes of a similar nature in other states or countries.

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

SALES AND OTHER TAXES

RETAIL SALES/USE TAX - FARM PRODUCTS

82.04.050(3e) FARM HORTICULTURAL SERVICES

Description: Horticultural services provided to farmers are excluded from the definition of retail sale. These include services related to the cultivation of vegetables, fruits, grains, field crops, ornamental floriculture, and nursery products, as well as soil preparation, crop cultivation and harvesting services.

Purpose: To support the agricultural industry. When the retail sales tax was extended to landscaping and horticultural services in 1993, this exemption was enacted to exclude such services provided to farmers.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers and firms that provide horticultural services 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	\$ 5,361	\$ 5,361	\$ 5,361	\$ 5,361
Local taxes	\$ 1,237	\$ 1,237	\$ 1,237	\$ 1,237

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

82.04.050(9) FEED AND SEED

Description: Sales of feed and seed are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. The same statute exempts feed and seed sold to landowners that participate in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington State Department of Fish and Wildlife.

Purpose: To support the agricultural industry. Also it could be argued that feed and seed are similar to component parts (and therefore are purchased for resale), because they are absorbed into or become an integral part of an agricultural product.

Category/Year Enacted: Agriculture. 1935, seed added in 1943. Conservation/habitat added in 1997.

Primary Beneficiaries: Farmers and the vendors who supply feed and seed to 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	\$ 44,009	\$ 44,889	\$ 45,787	\$ 46,703
Local taxes	\$ 10,156	\$ 10,359	\$ 10,566	\$ 10,778

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; these purchases might be considered as sales for resale.

SALES AND OTHER TAXES

82.04.050(9) FERTILIZER AND CHEMICAL SPRAY

Description: Sales of fertilizer, spray materials (including pesticides) and chemical sprays and washes for the post-harvest treatment of fruit are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. The same statute exempts fertilizer and spray sold to landowners that participate in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington State Department of Fish and Wildlife.

Purpose: To support the agricultural industry. Also it could be argued that fertilizer is similar to a component parts (and therefore are purchased for resale), because it is absorbed into or becomes an integral part of an agricultural product.

Category/Year Enacted: Agriculture. 1943. Conservation/habitat added in 1997.

Primary Beneficiaries: Agricultural producers.

Possible Program Inconsistency: The sales tax exemption helps to encourage the use of fertilizers and chemical sprays in agriculture. However, Chapter 70.95C RCW implements a program directed toward reduction of hazardous substances, which can include agricultural fertilizers and pesticides that have adverse environmental impacts.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 42,170	\$ 44,278	\$ 46,492	\$ 48,817
Local taxes	\$ 9,731	\$ 10,218	\$ 10,729	\$ 11,265

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; these purchases might be considered as sales for resale.

82.04.050(9) POLLINATION AGENTS

Description: Bees which are purchased by farmers for pollination purposes are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. (Most pollination is performed by honey bees which are rented, not sold, to farmers by bee keepers. Leaf-cutter bees are the principal pollination agent that are purchased.)

Purpose: To aid the agricultural industry and make the tax treatment uniform for all types of pollination.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers that purchase leaf-cutter bees for pollination 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	\$ 12	\$ 12	\$ 12	\$ 12
Local taxes	\$ 3	\$ 3	\$ 3	\$ 3

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

SALES AND OTHER TAXES

82.04.213 CHRISTMAS TREE PRODUCTION

Description: Items purchased for the production of plantation Christmas trees are exempt from retail sales/use tax because plantation Christmas trees are included in the definition of agricultural products in RCW 82.04.213 and such items are excluded from the definition of retail sale in RCW 82.04.050(9).

Purpose: To recognize that production of Christmas trees is similar to other agricultural products.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Approximately 420 growers of plantation Christmas trees.

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	\$ 299	\$ 299	\$ 299	\$ 299
Local taxes	\$ 93	\$ 93	\$ 93	\$ 93

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

82.08.0257 FARM AUCTION SALES

82.12.0258

Description: Exemption from retail sales/use tax is provided for sales of tangible personal property which has been used in a farm activity, if the sale is made by through an auctioneer. The seller must be a farmer and the sale must be conducted on a farm.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1943

Primary Beneficiaries: Farmers who sell machinery and other personal property at farm auctions, as well as the buyers of such items.

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	\$ 409	\$ 409	\$ 409	\$ 409
Local taxes	\$ 94	\$ 94	\$ 94	\$ 94

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

SALES AND OTHER TAXES

82.08.0259 BREEDING LIVESTOCK AND CATTLE
82.12.0261

Description: Sales of livestock for breeding purposes and sales of cattle and milk cows used on a farm are exempt from retail sales/use tax.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1945

Primary Beneficiaries: Farmers who use breeding livestock, dairy producers and cattle ranchers.

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	\$ 5,288	\$ 5,288	\$ 5,288	\$ 5,288
Local taxes	\$ 1,464	\$ 1,464	\$ 1,464	\$ 1,464

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

82.08.0267 POULTRY
82.12.0262

Description: Poultry used for producing poultry or poultry products are exempt from retail sales/use tax.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1961

Primary Beneficiaries: Producers of poultry and poultry 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	\$ 2,325	\$ 2,325	\$ 2,325	\$ 2,325
Local taxes	\$ 644	\$ 644	\$ 644	\$ 644

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

SALES AND OTHER TAXES

82.08.0272 SEMEN
82.12.0267

Description: Semen used for artificial insemination of livestock is exempt from retail sales/use tax.

Purpose: To support the agricultural industry. An argument could also be made that such products constitute a component part of other products being produced for sale and thus are sales for resale.

Category/Year Enacted: Agriculture. 1965

Primary Beneficiaries: Ranchers who purchase semen for artificial insemination of livestock.

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	\$ 353	\$ 353	\$ 353	\$ 353
Local taxes	\$ 82	\$ 82	\$ 82	\$ 82

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

82.08.02745 FARM-WORKER HOUSING
82.12.02685

Description: Exemption from retail sales/use tax is provided for goods and services used in constructing, repairing, or improving of new or existing structures used as agricultural employee housing. Ownership of the housing facility may be by agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public.

Purpose: To encourage construction of housing facilities for agricultural employees.

Category/Year Enacted: Agriculture. 1996

Primary Beneficiaries: Farmers and others who build housing facilities for farm workers.

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	\$ 636	\$ 649	\$ 662	\$ 675
Local taxes	\$ 186	\$ 189	\$ 193	\$ 197

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

SALES AND OTHER TAXES

82.08.0277 POLLEN
82.12.0273

Description: Sales of pollen are exempt from retail sales/use tax.

Purpose: To support the agricultural and horticultural industry.

Category/Year Enacted: Agriculture. 1967.

Primary Beneficiaries: Buyers and sellers of pollen.

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	\$ 23	\$ 23	\$ 23	\$ 23
Local taxes	\$ 6	\$ 6	\$ 6	\$ 6

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

82.08.0288 LEASED IRRIGATION EQUIPMENT
82.12.0283

Description: Leases of irrigation equipment are exempt from retail sales/use tax, if the equipment is at least partially attached to the land and is an incidental part of a land lease. To qualify for the exemption on the leased equipment, sales/use tax must have been paid on the original purchase of the equipment by the owner.

Purpose: Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, sales tax was already paid by the owner of the land. For sales tax to apply at the lessee level, the original acquisition of the equipment by the lessor would be an exempt sale for resale.

Category/Year Enacted: Agriculture. 1983

Primary Beneficiaries: Farmers who lease farm land which includes irrigation 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	\$ 3,374	\$ 3,442	\$ 3,511	\$ 3,581
Local taxes	\$ 934	\$ 953	\$ 972	\$ 992

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, there is some question about the extent to which the exemption applies in light of the Appeals Court ruling in the 1986 Western Ag case.

SALES AND OTHER TAXES

82.08.0294 FISH FEED FOR AQUACULTURE
82.12.0294

Description: Persons who raise fish for sale are exempt from retail sales/use tax on purchases of feed.

Purpose: To provide equivalent treatment with farmers whose purchases of feed for their livestock are exempt from sales/use tax. This recognizes that aquaculture and agriculture are similar activities.

Category/Year Enacted: Agriculture. 1985

Primary Beneficiaries: Approximately 65 commercial fish farmers.

Possible Program Inconsistency: This exemption helps to encourage an economic activity that can contribute to water pollution and thus may be inconsistent with certain water pollution control programs.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 53	\$ 52	\$ 52	\$ 52
Local taxes	\$ 16	\$ 16	\$ 16	\$ 16

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

82.08.0296 LIVESTOCK FEED
82.12.0296

Description: Feed consumed by livestock at public livestock markets is exempt from sales/use tax.

Purpose: Feed sold to farmers is already exempt from sales/use tax. This provision extends the exemption to feed consumed by cattle while awaiting sale at a livestock market.

Category/Year Enacted: Agriculture. 1986

Primary Beneficiaries: Operators of public livestock markets.

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	\$ 85	\$ 85	\$ 85	\$ 85
Local taxes	\$ 20	\$ 20	\$ 20	\$ 20

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

SALES AND OTHER TAXES

82.08.0311 FRUIT/VEGETABLE PACKING MATERIALS
82.12.0311

Description: Exemption from retail sales/use tax is provided for materials and supplies used directly in packing of fresh, perishable horticultural products.

Purpose: To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

Category/Year Enacted: Agriculture. 1988

Primary Beneficiaries: Fruit and vegetable packers.

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	\$ 247	\$ 254	\$ 262	\$ 270
Local taxes	\$ 57	\$ 59	\$ 60	\$ 62

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

82.08.841 FIELD BURNING EQUIPMENT
82.12.841

Description: Exemption from retail sales/use tax is provided for qualified equipment used to dispose of straw and straw-based products in an alternative manner to field burning. The farmer who purchases such equipment must have more than one-half of the total tillable acres in cereal grains or turf grass grown for seed in qualified counties (which have more than 15,000 acres devoted to growing of cereal grains). The exemption may be taken by both eligible farmers and firms engaged in the removal and processing of stubble as an alternative to burning. The exemption is scheduled to expire on January 1, 2011.

Purpose: To reduce burning of agricultural residue and improve air quality.

Category/Year Enacted: Agriculture. 2005

Primary Beneficiaries: Farmers who grow grain crops that leave stubble after harvesting.

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	\$ 2,600	\$ 2,600	\$ 2,600
Local taxes	\$ 600	\$ 600	\$ 600	\$ 600

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

SALES AND OTHER TAXES

82.08.855 REPLACEMENT PARTS FOR FARM MACHINERY
82.12.855

Description: Retail sales/use tax exemptions are provided for eligible farmers for purchases of replacement parts for farm machinery, charges for the installation of exemption replacement parts, and charges for repair of farm machinery. Eligible farmers must be actively engaged in producing agricultural products which resulted in at least \$10,000 in gross proceeds during the previous year. The machinery must be primarily used in the production of agricultural products. Replacement parts do not include consumable supplies such as fuel or oil.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 2006, expanded in 2007.

Primary Beneficiaries: The approximately 30,000 farmers in Washington and firms that repair farm machinery.

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	\$ 6,540	\$ 6,737	\$ 6,941	\$ 7,151
Local taxes	\$ 1,912	\$ 1,969	\$ 2,029	\$ 2,090

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

82.08.865 DIESEL AND AIRCRAFT FUEL USED ON FARMS
82.12.865

Description: Sales and use tax does not apply to sales of diesel fuel, biodiesel fuel or aircraft fuel as defined in RCW 82.42.010(5) to a farmer or a person who provides horticultural services for farmers, as long as the fuel is not used on public highways or for heating of water or space for human habitation.

Purpose: To support Washington farmers.

Category/Year Enacted: Agriculture. 2006

Primary Beneficiaries: Washington farmers, particularly those with diesel powered farm equipment and those who provide crop dusting services.

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	\$ 4,006	\$ 4,126	\$ 4,250	\$ 4,377
Local taxes	\$ 1,171	\$ 1,206	\$ 1,242	\$ 1,279

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

SALES AND OTHER TAXES

82.08.880 MEDICINE FOR LIVESTOCK
82.12.880

Description: Exemption from retail sales/use tax is provided for pharmaceuticals for livestock used by farmers. The drug must be approved by the U.S. Department of Agriculture or the Food and Drug Administration and must be administered to an animal that is being raised for purposes of sale as an agricultural product. The exemption applies to sales of eligible medicines made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

Purpose: To support the agricultural industry and help offset the high cost of medicines for livestock.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Farmers who raise animals for sale.

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	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900
Local taxes	\$ 380	\$ 380	\$ 380	\$ 380

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

82.08.890 LIVESTOCK NUTRIENT MANAGEMENT
82.12.890

Description: Retail sales/use tax exemption is provided for facilities used for livestock nutrient management, including the maintenance and repair of equipment. The facilities and equipment must be used exclusively for activities necessary to maintain a livestock management plan as required by Chapter 90.64 RCW, an animal feeding operation that holds a permit under Chapter 90.48 RCW or an animal feeding operation that has a nutrient management plan approved by a conservation district. The exemption applies to purchases made after the management plan is certified pursuant to the law.

Purpose: To support the Washington dairy industry and livestock feeding operations.

Category/Year Enacted: Agriculture. 2001, expanded in 2006 to livestock feeding operations.

Primary Beneficiaries: Dairies and livestock operations.

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	\$ 520	\$ 520	\$ 520	\$ 520
Local taxes	\$ 120	\$ 120	\$ 120	\$ 120

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

SALES AND OTHER TAXES

82.08.900 ANAEROBIC DIGESTERS FOR DAIRIES
82.12.900

Description: Exemption from retail sales/use tax is provided for anaerobic digesters that are used primarily to treat manure resulting from dairy and livestock operations. The exemption covers construction, equipment and installation costs.

Purpose: To support the dairy and livestock industry in Washington.

Category/Year Enacted: Agriculture. 2001, expanded to livestock operations in 2006.

Primary Beneficiaries: Washington dairies.

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	\$ 65	\$ 65	\$ 65
Local taxes	\$ 20	\$ 20	\$ 20	\$ 20

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

82.08.910 PROPANE/NATURAL GAS TO HEAT CHICKEN BARNs
82.12.910

Description: Sales to farmers of propane or natural gas used to heat structures that house chickens are exempt from retail sales/use tax. The propane or natural gas must be used exclusively to heat these structures and the chickens must be eventually sold as agricultural products.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 70 poultry producers.

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	\$ 718	\$ 718	\$ 718	\$ 718
Local taxes	\$ 210	\$ 210	\$ 210	\$ 210

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

SALES AND OTHER TAXES

82.08.920 BEDDING MATERIALS FOR CHICKENS
82.12.920

Description: Sales of bedding materials to farmers who raise chickens for sale as agricultural products are exempt from retail sales/use tax. The purpose of the bedding materials must be to accumulate and facilitate the removal of chicken manure.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 70 poultry producers.

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	\$ 180	\$ 180	\$ 180	\$ 180
Local taxes	\$ 52	\$ 52	\$ 52	\$ 52

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

RETAIL SALES/USE TAX - PRODUCER GOODS

82.04.050(1d) FERROSILICON
82.04.190(1d)

Description: Tangible personal property used in production of ferrosilicon which, in turn, is used in the production of magnesium is excluded from the definition of retail sale. To qualify, the primary purpose of the exempt items must be to create a chemical reaction with an ingredient of ferrosilicon.

Purpose: To encourage magnesium production businesses to locate in Washington.

Category/Year Enacted: Business incentive. 1986

Primary Beneficiaries: There are potentially two facilities that might benefit from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The impact of this exemption cannot be disclosed, as it is believed to affect fewer than three firms.

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

SALES AND OTHER TAXES

82.08.02565 MANUFACTURING MACHINERY **82.12.02565**

Description: New or replacement manufacturing machinery and equipment is exempt from retail sales/use tax if it is used in a manufacturing operation. Both materials and installation labor are included for machinery, equipment, pollution control equipment and the internal use portion of cogeneration equipment. Repair parts and labor, R&D equipment, testing devices and certain logging and rock-crushing equipment are also covered by the exemption. Excluded from the exemption are short-lived tools, hand tools, and consumable supplies.

Purpose: To encourage manufacturing activity to take place in Washington and create family wage jobs.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: About 25,000 manufacturing firms in Washington are potentially eligible.

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	\$208,443	\$213,910	\$221,805	\$231,851
Local taxes	\$ 64,617	\$ 66,312	\$ 68,759	\$ 71,873

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

82.08.02566 PROTOTYPES OF AIRCRAFT PARTS **82.12.02566**

Description: Purchases of ingredients in prototypes of aircraft parts are exempt from retail sales/use tax, if the firm that develops the prototypes has taxable revenue of less than \$20 million annually. The statute limits the amount of sales tax exemption to \$100,000 per firm.

Purpose: To assist relatively small manufacturers of aircraft parts.

Category/Year Enacted: Business incentive. 1996

Primary Beneficiaries: Approximately 129 firms.

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	\$ 520	\$ 555	\$ 593	\$ 633
Local taxes	\$ 161	\$ 172	\$ 184	\$ 196

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

SALES AND OTHER TAXES

82.08.02567 ELECTRICITY GENERATION; RENEWABLE RESOURCES
82.12.02567

Description: Exemption from retail sales/use tax is provided for machinery and equipment, including installation labor and services, used directly in generating electricity by the use of wind, sun, land-fill gas or fuel cells. The facility must be capable of generating a minimum of 200 watts of electricity. This exemption is scheduled to expire on June 30, 2009.

Purpose: To encourage the development of alternative energy generation facilities.

Category/Year Enacted: Business incentive. 1996, broadened in 1998, 1999 and 2001.

Primary Beneficiaries: The costs of solar generation continue to exceed those of conventional generation facilities, although technology improvements may lower the cost and utilization of solar power. Wind power represents the majority of the impact of this exemption.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>
State tax	\$ 4,875	\$ 4,875
Local taxes	\$ 1,425	\$ 1,425

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

82.08.02568 ANODES & CATHODES FOR ALUMINUM PRODUCTION
82.12.02568

Description: Exemption from retail sales/use tax for various ingredients used in producing anodes and cathodes that are used in manufacturing aluminum. These include carbon, petroleum coke, coal tar, pitch and similar substances.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 1996

Primary Beneficiaries: Aluminum manufacturers.

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	\$ 4,825	\$ 4,854	\$ 4,960	\$ 5,212
Local taxes	\$ 1,496	\$ 1,505	\$ 1,537	\$ 1,616

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although the few remaining firms in this industry might choose to relocate.

SALES AND OTHER TAXES

82.08.026 NATURAL & MANUFACTURED GAS **82.12.023 & 82.14.030(1)**

Description: Natural and manufactured gas delivered through a pipeline, which is subject to the use tax on brokered gas pursuant to RCW 82.12.022, is exempt from retail sales/use tax.

Purpose: Washington firms that distribute natural gas are subject to public utility tax. Large industrial customers may purchase gas directly from out-of-state suppliers through brokers that is not subject to public utility tax. In 1989 a new "use" tax was levied on such purchases, equivalent to the public utility tax. This exemption assures that these purchases are subject to the special use tax, rather than sales tax.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Large industrial users of natural or manufactured gas.

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	\$ 25,930	\$ 28,853	\$ 32,106	\$ 35,725
Local taxes*	\$(35,287)	\$(39,265)	\$(43,691)	\$(48,617)

*Includes local use tax at the maximum 6% rate. The overall local impact would be a gain in revenue (reduced taxpayer savings) resulting from shifting from local utility use tax to regular local sales tax.

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

82.08.0274 FORM LUMBER **82.12.0268**

Description: Form lumber that is used in construction to mold concrete is exempt from retail sales/use tax. The lumber must be used in a single project and be incorporated into the same project. The exemption applies only to projects done by contractors for other persons. Therefore, lumber used by "spec" builders is not exempt under this provision.

Purpose: To exempt the contractor's intervening use as a consumer of form lumber.

Category/Year Enacted: Other business. 1965

Primary Beneficiaries: Contractors and subcontractors who use lumber as forms for concrete.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. It is believed that form lumber is rarely incorporated into the same structure, and therefore there is little or no impact for this exemption.

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

SALES AND OTHER TAXES

82.08.0298 FUEL FOR COMMERCIAL FISHING BOATS
82.12.0298

Description: Diesel fuel used by vessels engaged in commercial deep-sea fishing or in the operation of commercial charter fishing boats is exempt from retail sales/use tax. Such vessels must regularly operate outside of state territorial waters and the gross income from fishing must be at least \$5,000 annually.

Purpose: To recognize that the majority of such fuel is consumed outside of the state.

Category/Year Enacted: Other business. 1987

Primary Beneficiaries: Commercial fishers and sport fishing charter boat 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	\$ 1,670	\$ 1,787	\$ 1,955	\$ 2,145
Local taxes	\$ 522	\$ 558	\$ 611	\$ 670

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

82.08.0315 FILM & VIDEO PRODUCTION EQUIPMENT/SERVICES
82.12.0315

Description: Rental of production equipment or sale of production services to a motion picture or video production businesses are exempt from retail sales/use tax. Such equipment includes video, electrical, lighting and motion picture equipment.

Purpose: To support the motion picture industry and encourage more films to be produced in this state.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: Motion picture and video production companies.

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	\$ 1,995	\$ 1,995	\$ 1,995	\$ 1,995
Local taxes	\$ 614	\$ 614	\$ 614	\$ 614

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

SALES AND OTHER TAXES

82.08.705 ELECTRONICALLY TRANSMITTED FINANCIAL DATA
82.12.705

Description: Purchases of standard financial information by a financial institution or investment management company are exempt from retail sales/use tax, if the product is delivered to the purchaser via electronic means. Standard financial information includes financial market data, bond ratings, credit ratings, and deposit, loan or mortgage reports. The exemption does not include reports provided as a part of abstract, escrow, title insurance and credit bureau services.

Purpose: To encourage growth in Washington's financial sector.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Approximately 500 Washington financial institutions.

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	\$ 1,218	\$ 1,435	\$ 1,543	\$ 1,650
Local taxes	\$ 394	\$ 464	\$ 499	\$ 534

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

82.08.805 PURCHASES FOR ALUMINUM SMELTERS
82.12.805

Description: Exemption from retail sales/use tax is available for personal property used at an aluminum smelter, tangible personal property that is incorporated into a structure at an aluminum smelter, or labor and service with respect to construction of aluminum smelter facilities.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: Aluminum manufacturing companies.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Fewer than three firms have utilized this exemption, and therefore the impact cannot be disclosed publicly.

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

SALES AND OTHER TAXES

82.08.806 COMPUTER EQUIPMENT FOR PRINTERS & PUBLISHERS
82.12.806

Description: Purchases of computer equipment and software, including installation and related services, which is used primarily in the printing and publishing of any type of printed material are exempt from retail sales/use tax. Digital cameras are also included in the scope of the exemption. The exemption does not extend to computers and software used principally for administrative purposes.

Purpose: To provide tax incentives for the printing and publishing industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: Approximately 12 daily newspapers.

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	\$ 559	\$ 587	\$ 617	\$ 647
Local taxes	\$ 175	\$ 183	\$ 193	\$ 202

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

82.08.810 AIR POLLUTION CONTROL FACILITIES
82.12.810

Description: Construction of air pollution control facilities at a thermal electric generating facility which was placed in operation after 1969 and before July 1, 1997 is exempt from retail sales/use tax. The exemption is contingent upon production levels for the plant being maintained above the 20 percent annual capacity factor between 2002 and 2023. If production falls below this level, all or a portion of the tax previously exempted must be repaid.

Purpose: To reduce the cost of installing air pollution control devices, allowing the plant to remain in operation.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The Centralia thermal generating plant.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

SALES AND OTHER TAXES

82.08.811 COAL USED AT THERMAL GENERATING PLANTS
82.12.811

Description: Purchases of coal used at a thermal electric generating facility placed in operation after 1969 and before July 1, 1997 are exempt from retail sales/use tax. The exemption is contingent upon owners of the plant demonstrating to the Department of Ecology that progress is being made to install the necessary air pollution control devices and that the facility has emitted no more than 10,000 tons of sulfur dioxide during the pervious 12 months.

Purpose: To encourage the Centralia plant to install the necessary air pollution control devices.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The Centralia thermal generating plant.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

82.08.820 WAREHOUSING REMITTANCE
82.12.820

Description: Certain warehouses and grain elevators are eligible for an exemption in the form of a remittance of the state retail sales/use tax paid on purchases of machinery and on materials and labor for construction of these facilities. Warehouses must be more than 200,000 square feet in size. The exemption equals 100 percent of the state retail sales/use tax paid on construction and 50 percent of the state tax paid on equipment, including materials handling and racking equipment. For grain elevators the exemption is either 50 or 100 percent of the state tax paid, depending upon the capacity of the facility. The remittance does not include local sales/use taxes.

Purpose: To encourage construction of warehouses in Washington and to increase the competitiveness of the warehouse and distribution industry in this state.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: Warehouse firms, distribution centers, grain elevators, port 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	\$ 2,975	\$ 3,064	\$ 3,156	\$ 3,251
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

SALES AND OTHER TAXES

82.08.955 DISTRIBUTION OF BIODIESEL OR E85 FUEL
82.12.955

Description: Exemption from retail sales/use tax is allowed for machinery and equipment which is used directly to facilitate the retail sale of biodiesel blend or E85 motor fuel. Biodiesel is derived from vegetable oils or animal fats. E85 is a blend of ethanol and hydrocarbon in which the ethanol portion is comprised of from 75 to 85 percent denatured fuel ethanol. The exemption also includes fuel delivery vehicles, as well as labor or services for repairing such vehicles and repair and replacement parts. This exemption is scheduled to expire on July 1, 2015.

Purpose: To encourage fuel dealers to sell biodiesel and alcohol fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Dealers and distributors of alternative fuels

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	\$ 25	\$ 26	\$ 27	\$ 27
Local taxes	\$ 7	\$ 8	\$ 8	\$ 8

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

82.08.960 DISTRIBUTION OF WOOD BIOMASS FUELS
82.12.960

Description: Exemption from retail sales/use tax is allowed for machinery and equipment which is used directly to facilitate the retail sale of wood biomass fuel blend or for vehicles used to deliver such fuels. The exemption also includes services associated with the construction of structures to facilitate the sale of such fuel. This exemption is scheduled to expire on July 1, 2009.

Purpose: To encourage fuel dealers to sell wood biomass fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Dealers and distributors of wood biomass fuel.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None, so far. There are currently no known plans for a fuel dealer to begin selling this type of fuel.

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

SALES AND OTHER TAXES

82.08.965 FACILITIES FOR MANUFACTURING SEMICONDUCTOR MATERIALS

82.12.965

Description: Exemption from retail sales/use tax is provided for new construction by manufacturers of semiconductor materials. The exemption covers all construction costs, including materials, labor and installation of fixtures. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective, it is scheduled to last for a period of 12 years from the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to the state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

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	\$ 0	\$ 0	\$ 0
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

82.08.9651 SEMICONDUCTOR MATERIALS - GASSES & CHEMICALS

82.12.9651

Description: Exemption from retail sales/use tax is provided for gasses and chemicals used by manufacturers of semiconductor materials. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least \$350 million. This criterion has been met, and the exemption was effective on December 1, 2006. It is scheduled to last for a period of 12 years.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar business to the state.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Three firms that manufacture semiconductor materials.

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	\$ 934	\$ 1,009	\$ 1,090	\$ 1,177
Local taxes	\$ 292	\$ 315	\$ 340	\$ 368

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

SALES AND OTHER TAXES

82.08.970 SEMICONDUCTOR MATERIALS - GASSES & CHEMICALS

82.12.970

Description: Exemption from retail sales/use tax is provided for gasses and chemicals used by manufacturers of semiconductor materials. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least \$1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective, it is scheduled to last for a period of 12 years from the effective date. NOTE: similar exemptions are provided by RCWs 82.08.9651/82.12.9651.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar business to the state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met..

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	\$ 0	\$ 0	\$ 0
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

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

82.08.975 AIRPLANE PRE-PRODUCTION COMPUTER EXPENDITURES

82.12.975

Description: An exemption from retail sales/use tax is allowed for design and pre-production computer software and hardware expenditures by manufacturers of commercial aircraft or components of aircraft. Eligible computer expenditures are those made after the date that an agreement is signed between the state and a manufacturer of a super-efficient airplane. The exemption became effective on December 1, 2003. The exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage development and engineering of commercial aircraft in Washington.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Manufacturers of commercial aircraft and components of such aircraft.

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	\$ 6,358	\$ 1,034	\$ 1,034	\$ 1,034
Local taxes	\$ 1,971	\$ 321	\$ 321	\$ 321

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

SALES AND OTHER TAXES

82.08.980 AIRPLANE FACILITIES ON PORT DISTRICT PROPERTY
82.12.980

Description: Exemption from retail sales/use tax is allowed for the construction of an assembly facility for a super-efficient aircraft by a manufacturer or a port district, if the plant is located on port district property. The exemption was effective on December 1, 2003 and is scheduled to expire on July 1, 2024.

Purpose: To encourage siting of an assembly facility in Washington for a super-efficient aircraft.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Manufacturer of a super-efficient aircraft and the port district upon which the facility might be located.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. This exemption was available in the event that assembly facilities for the Boeing 787 airplane might have been located on port district property.

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

82.08.981 COMPUTER EQUIPMENT USED TO DESIGN AIRPLANES
82.12.981

Description: Exemption from retail sales/use tax is provided for purchases of computer hardware, software and peripherals which do not qualify for exemption as manufacturing machinery, if it is utilized primarily in the development, design and engineering of commercial aircraft. The exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage aircraft design and engineering in Washington.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Firms other than manufacturers that are involved in aircraft design.

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	\$ 90	\$ 86	\$ 82	\$ 82
Local taxes	\$ 28	\$ 27	\$ 25	\$ 25

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

SALES AND OTHER TAXES

82.12.010(1) USE TAX ON RENTAL VALUE

Description: An out-of-state business that brings property into this state for temporary business use (less than 180 days during a 365 consecutive day period) may compute use tax based on an amount representing the reasonable rental value of the item, rather than the total market value. The usual measure of the use tax is the purchase price or the fair market value at the time of the first use in Washington.

Purpose: To encourage out-of-state firms to do business in Washington by allowing them to use equipment in this state on a temporary basis without incurring use tax liability on the full market value.

Category/Year Enacted: Other business. 1985; the allowable time for in-state use was doubled to 180 days in 1994.

Primary Beneficiaries: Out-of-state firms with contracts 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	\$ 1,912	\$ 2,026	\$ 2,128	\$ 2,234
Local taxes	\$ 588	\$ 623	\$ 655	\$ 687

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

82.12.0263 EXTRACTED FUEL

Description: Fuel consumed by manufacturers or extractors is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant.

Purpose: To support the fuel manufacturing and extracting industry.

Category/Year Enacted: Other business. 1949

Primary Beneficiaries: Manufacturers and extractors 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	\$ 5,255	\$ 5,316	\$ 5,364	\$ 5,380
Local taxes	\$ 1,641	\$ 1,660	\$ 1,675	\$ 1,680

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

SALES AND OTHER TAXES

82.12.0265 BAILED PROPERTY USED IN RESEARCH

Description: Use tax does not apply to the value of bailed property when the bailee consumes the property while conducting research and development activities for a bailor who is not subject to tax. "Bailment" consists of granting the right of possession of tangible personal property to another person (bailee) without financial compensation to the property owner (bailor).

Purpose: Bailment typically applies to tangible personal property owned by the federal government that is used by federal contractors. The purpose of the exemption is to improve the competitive position of in-state firms competing for the federal contracts by reducing the associated tax burden.

Category/Year Enacted: Other business. 1961

Primary Beneficiaries: Contractors with 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	\$ 3,264	\$ 3,590	\$ 3,949	\$ 4,344
Local taxes	\$ 1,019	\$ 1,121	\$ 1,233	\$ 1,357

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

82.12.0272 ITEMS DISPLAYED IN TRADE SHOWS

Description: Tangible personal property held for sale which is displayed in a trade show for up to 30 days is exempt from use tax. The exemption pertains to items that are actually demonstrated and not simply available for sale as part of the dealer's inventory.

Purpose: To stimulate trade and the economy by encouraging trade shows to take place in this state.

Category/Year Enacted: Other business. 1971

Primary Beneficiaries: Manufacturers and distributors that exhibit products at trade shows.

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	\$ 1,732	\$ 1,799	\$ 1,869	\$ 1,942
Local taxes	\$ 533	\$ 554	\$ 575	\$ 598

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

SALES AND OTHER TAXES

82.12.800 USE OF VESSELS BY MANUFACTURERS & DEALERS

82.12.801

82.12.802

Description: These three statutes relate to the application of use tax for firms that manufacture or sell boats and boat trailers. The following uses of a vessel and trailer by the manufacturer or a vessel dealer are exempt from use tax per RCWs 82.12.800 and .801: (1) testing, setting-up, repairing, remodeling or otherwise making the vessel seaworthy; (2) training of employees; (3) activities promoting the sale of the vessel; (4) loaning or donating the vessel to nonprofit organizations or governmental entities for limited periods; (5) transporting, displaying or demonstrating the vessel at boat shows; and (6) delivering, showing and operating the vessel for a prospective buyer. Any other intervening use of the vessel by the manufacturer or a dealer is subject to use tax. However, RCW 82.12.802 provides that the use tax in such instances is to be measured by the reasonable rental value of the vessel for that particular use, rather than the fair market value, if the dealer can demonstrate that the vessel is truly held for sale.

Purpose: To clearly identify the uses of vessels and related equipment which are not considered as taxable "intervening" uses and to provide a basis for the use tax in other taxable situations.

Category/Year Enacted: Other business. 1997

Primary Beneficiaries: Manufacturers and dealers of boats and boat trailers.

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	\$ 417	\$ 458	\$ 503	\$ 552
Local taxes	\$ 130	\$ 143	\$ 157	\$ 173

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

SALES AND OTHER TAXES

RETAIL SALES/USE TAX - INTERSTATE SALES

82.08.0254 CONSTITUTIONALLY EXEMPT SALES

82.12.0255

Description: Sales that the state is prohibited from taxing under the state and federal constitutions are exempt from retail sales/use tax. These statutes are "catch-all" provisions covering situations that are not covered by other specific exemptions. The major items covered by this general exemption are sales in which delivery is made to an out-of-state location, sales to the U.S. government and sales to Indians in Indian country.

Purpose: To recognize the prohibition against taxing the federal government and Indians in Indian country or placing an impermissible burden on interstate commerce.

Category/Year Enacted: Commerce (reflects the majority of the exemption). 1935

Primary Beneficiaries: Washington manufacturers that sell out of state, the federal government, Indians.

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	\$331,553	\$355,027	\$376,329	\$398,908
Local taxes	\$102,016	\$109,239	\$115,793	\$122,741

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

82.08.0255(2) SPECIAL FUEL USED OUTSIDE THE STATE

82.12.0256(2)

Description: Exemption from retail sales/use tax is allowed for special fuel (diesel, propane, etc.) purchased in Washington but used outside of the state by persons engaged in interstate commerce.

Purpose: To maintain equity with other states in the application of sales tax to fuel purchases.

Category/Year Enacted: Commerce. 1983

Primary Beneficiaries: Interstate truckers.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) The impact is included in the estimates for RCW 82.08.0255(1, d) which covers all motor vehicle and special fuel used on public highways.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; interstate carriers would likely shift their fuel purchases to other states.

SALES AND OTHER TAXES

82.08.0261 ITEMS USED IN INTERSTATE COMMERCE

Description: Exemption from retail sales tax is provided for tangible personal property, other than airplanes, locomotives, railroad cars and watercraft, that is used by the purchaser in connection with operation as a private or common carrier by air, rail or water in interstate or foreign commerce. Examples include linens, bedding, chairs, tableware and similar items purchased in Washington for use in other states. Any actual use of the item within this state is subject to use tax.

Purpose: To encourage purchases of these items in Washington.

Category/Year Enacted: Commerce. 1949

Primary Beneficiaries: Manufacturers and vendors of supplies and repair parts used in commerce.

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	\$ 166	\$ 172	\$ 180	\$ 189
Local taxes	\$ 51	\$ 53	\$ 55	\$ 58

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

82.08.0262 INTERSTATE TRANSPORTATION EQUIPMENT

Description: Sales of airplanes, locomotives, railroad cars, watercraft and their component parts are exempt from retail sales tax, if the items are used in interstate or foreign commerce or in commercial deep-sea fishing outside of Washington waters. Also exempt are charges made for repairing, cleaning, altering and improving this equipment for motor carriers with permits issued by the federal Department of Transportation (formerly the Interstate Commerce Commission).

Purpose: To increase the competitive position of Washington manufacturers relative to out-of-state competitors and to encourage sale and delivery of these products in this state. The exemption recognizes that firms engaged in interstate transportation could take delivery of such equipment outside of the state and thereby avoid retail sales tax with minimal cost.

Category/Year Enacted: Commerce. 1949

Primary Beneficiaries: Interstate carriers of passengers and freight and the Washington firms that manufacture and service these items.

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	\$ 95,114	\$ 98,131	\$103,038	\$108,189
Local taxes	\$ 29,266	\$ 30,194	\$ 31,704	\$ 33,289

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

SALES AND OTHER TAXES

82.08.0263 MOTOR VEHICLES USED IN INTERSTATE COMMERCE

Description: Sales of motor vehicles and trailers for use in interstate and foreign commerce are exempt from retail sales tax when the purchaser or user holds a permit issued by the federal Department of Transportation (formerly the Interstate Commerce Commission).

Purpose: To increase the competitive position of Washington manufacturers relative to out-of-state competitors and to encourage sales in Washington by allowing delivery of these vehicles to occur in-state.

Category/Year Enacted: Commerce. 1949

Primary Beneficiaries: Manufacturers of motor vehicles (trucks) and trailers and their customers.

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	\$ 51,054	\$ 54,118	\$ 56,824	\$ 59,665
Local taxes	\$ 13,353	\$ 14,154	\$ 14,862	\$ 15,605

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

82.08.0264 VEHICLES SOLD TO NONRESIDENTS

Description: Sales of motor vehicles, trailers or campers to nonresidents are exempt from retail sales tax, provided the vehicle will be used in Washington only temporarily, be taken directly outside of this state and be registered in the state of the purchaser's residence.

Purpose: To eliminate a potential disadvantage for in-state vehicle dealers who compete against dealers in other states. Other purchases by nonresidents are subject to sales tax if delivery occurs within this state, unless the provisions of RCW 82.08.0273 (residents of states with no or low sales taxes) apply.

Category/Year Enacted: Individuals. 1949

Primary Beneficiaries: Washington vehicle dealers and nonresident purchasers.

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	\$ 30,129	\$ 31,085	\$ 32,639	\$ 34,271
Local taxes	\$ 9,271	\$ 9,565	\$ 10,043	\$ 10,545

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; buyers could simply take possession outside the state.

SALES AND OTHER TAXES

82.08.0265 ITEMS REPAIRED FOR NONRESIDENTS

Description: Charges for repair, cleaning, altering or installing tangible personal property belonging to a nonresident are exempt from retail sales tax, if the property is delivered to a location outside of the state.

Purpose: To increase the competitive position of Washington firms that repair items for nonresidents.

Category/Year Enacted: Individuals. 1959

Primary Beneficiaries: Washington firms that repair items for nonresidents.

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	\$ 4,895	\$ 5,050	\$ 5,303	\$ 5,568
Local taxes	\$ 1,506	\$ 1,554	\$ 1,632	\$ 1,713

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

82.08.0266 BOATS PURCHASED BY NONRESIDENTS 82.12.02665

Description: The sale of watercraft to nonresidents for use outside of Washington is exempt from retail sales/use tax if the craft is required to be registered with the Coast Guard or in the state of principal use and if the boat is not used in Washington for more than 45 days. (See also RCW 82.08.700 which allows nonresidents to use a newly purchased boat from a Washington dealer or their existing boat registered in another state in Washington waters for up to one year, if they purchase a one-year use permit from a licensed vessel dealer within 14 days of when the boat first enters the state.)

Purpose: To encourage nonresidents to purchase boats in Washington. Allowing the buyer to take delivery in Washington, as part of a "shake-down" cruise, without incurring sales/use tax liability helps to encourage purchases by nonresidents.

Category/Year Enacted: Individuals. 1959; extended to foreign nonresidents in 1993.

Primary Beneficiaries: Washington boat dealers and nonresident purchasers.

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	\$ 4,653	\$ 5,351	\$ 6,154	\$ 7,077
Local taxes	\$ 1,453	\$ 1,670	\$ 1,921	\$ 2,209

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

SALES AND OTHER TAXES

82.08.0268 FARM EQUIPMENT SOLD TO NONRESIDENTS

Description: Farm machinery sold to nonresidents of Washington is exempt from retail sales tax, if the equipment is immediately transported out of state. The exemption includes parts and labor for repair services performed on machinery and implements that are used for farming outside of the state.

Purpose: To allow Washington implement dealers to effectively compete with dealers in neighboring states which either exempt farm machinery or have a lower (or no) sales tax.

Category/Year Enacted: Agriculture. 1961; expanded to in-state repair services in 1998.

Primary Beneficiaries: Washington farm equipment dealers, especially those in close proximity 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	\$ 3,331	\$ 3,527	\$ 3,704	\$ 3,889
Local taxes	\$ 1,025	\$ 1,085	\$ 1,140	\$ 1,197

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely, these purchases would probably be made from dealers in other states.

82.08.0269 PURCHASES BY RESIDENTS OF ALASKA & HAWAII

Description: Sales to residents of states, territories and possessions of the U.S. which are not contiguous to any other state are exempt from retail sales tax, if the seller delivers the property to an in-state receiving terminal of a carrier that transports the goods to an out-of-state location.

Purpose: To facilitate sales to residents of Alaska, Hawaii and U.S. possessions and territories and to encourage trade through Washington ports.

Category/Year Enacted: Individuals. 1961

Primary Beneficiaries: Firms that sell to residents of Alaska, Hawaii and U.S. territories.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal. Most sales to such residents would be exempt under other statutes relating to interstate commerce.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No, buyers could easily make alternative shipping arrangements.

SALES AND OTHER TAXES

82.08.0273 PURCHASES BY QUALIFIED NONRESIDENTS

Description: Persons who reside in a state, possession or Canadian province which levies a sales tax of less than 3.0 percent are exempt from Washington retail sales tax on tangible personal property purchased for use outside of Washington (i.e., the exemption does not apply to lodging or meals). Sales to residents of other states may also be exempt if their state of residence allows similar exemption for Washington residents; however, no state currently qualifies under this provision of reciprocity.

Purpose: To enable Washington sellers, especially along the Oregon border, to compete with merchants in other states that either: (1) do not levy a retail sales tax or (2) levy a sales tax with a low rate.

Category/Year Enacted: Individuals. 1965; a fee of \$5 for a nonresident permit was eliminated in 1989; in 1993 only one piece of identification was required.

Primary Beneficiaries: Residents of Oregon, Alaska, Montana and the Canadian province of Alberta. Also the exemption benefits Washington retailers, especially those located in border areas.

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	\$ 68,971	\$ 73,854	\$ 78,285	\$ 82,982
Local taxes	\$ 21,222	\$ 22,724	\$ 24,088	\$ 25,533

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly to some extent, but purchases by currently eligible nonresidents would decline.

82.08.0279 NONRESIDENTS' RENTAL VEHICLES

Description: Retail sales tax does not apply to the rental or lease of motor vehicles and trailers by nonresidents (including persons with places of business both inside and outside of Washington) for exclusive use in interstate commerce. To qualify, the vehicle must be registered and most frequently dispatched, garaged and serviced at a location outside of Washington. The exemption includes the use of a vehicle or trailer that is registered in a different state to transport persons or property between Washington locations, if the use is incidental to the use of the vehicle or trailer in interstate commerce.

Purpose: To relieve lessors of responsibility for collecting sales tax on the in-state use of rental cars, motor vehicles and trailers by a nonresident motor carrier engaged in interstate commerce and to encourage such businesses to rent or lease in Washington.

Category/Year Enacted: Commerce. 1980

Primary Beneficiaries: Vehicle rental firms with locations in Washington and in 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	\$ 118	\$ 125	\$ 131	\$ 137
Local taxes	\$ 36	\$ 38	\$ 40	\$ 42

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

SALES AND OTHER TAXES

82.08.050(7) SELLERS WITH LIMITED CONNECTION TO WASHINGTON **82.12.040(5)**

Description: Exemption from retail sales/use tax is provided for businesses selling into Washington, if their in-state activities are limited to advertising, taking orders or processing payments, and if these activities are conducted via a website on a computer server that is located in Washington and is owned and operated by another firm.

Purpose: At the time this exemption was enacted, such sales were not taxable due to the federal Internet Tax Freedom Act (ITFA) which has been re-enacted and is currently in effect. This exemption was enacted in case that the ITFA is not re-enacted.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: A very small number of firms might benefit from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal, if ITFA is not re-enacted. None, if it is.

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

82.08.700 BOATS; IN-STATE USE PERMIT **82.12.700**

Description: Under this new program a purchaser of a boat of at least 30 feet in length from a Washington dealer is exempt from retail sales and use tax for up to one year. Also, nonresidents may bring their boats into the state and use them for up to one year without incurring use tax liability. However, to qualify for these exemptions the nonresident must purchase a use permit for \$500 if the boat is 50 feet or less in length; for longer boats the fee is \$800.

Purpose: To increase the time that a boat owned by a nonresident can remain in Washington waters. This helps to encourage purchases of new boats from Washington dealers and also increases tourism.

Category/Year Enacted: Individuals. 2007

Primary Beneficiaries: Boat dealers, firms that service boaters, and nonresident owners of boats.

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	\$ 16	\$ 18	\$ 21	\$ 24
Local taxes	\$ 5	\$ 6	\$ 6	\$ 7

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

SALES AND OTHER TAXES

82.08.850 EXPORTED CONIFER SEEDLINGS
82.12.850

Description: Exemption from retail sales/use tax is provided for customer-owned conifer seeds that are placed in freezer storage operated by the seller and for customer-owned conifer seedlings that are subsequently used for growing timber outside of Washington or in Indian country within Washington.

Purpose: To eliminate the tax disadvantage for Washington conifer seed producers compared with out-of-state producers.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: A very small number of Washington firms.

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	\$ 40	\$ 40	\$ 40	\$ 40
Local taxes	\$ 12	\$ 12	\$ 12	\$ 12

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

82.08.990 INTERSTATE COMMERCE; IMPORT/EXPORT SHIPMENTS

Description: This new statute codifies the practice of the Department of Revenue over many decades, relating to import-export transactions. It clarifies in state statute the U.S. Constitutional prohibition against taxation of interstate commerce.

Purpose: To affirm in state law the constitutional prohibition against taxing interstate commerce.

Category/Year Enacted: Commerce. 2007

Primary Beneficiaries: Firms that ship products across Washington's boundaries.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) There are other statutes in this section which also address certain aspects of the issue of imports and exports, particularly RCW 82.08.0254 – the catch-all exemption for constitutionally prohibited activities. The impacts relating to import and export shipments have traditionally been shown under these statutes.

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

SALES AND OTHER TAXES

82.12.0251 NONRESIDENTS' PERSONAL PROPERTY

Description: Use tax does not apply to tangible personal property brought into Washington by a nonresident for temporary use or enjoyment, so long as the item is not used in conducting a nontransitory business activity. This statute also exempts the use of a motor vehicle that is registered in another state if the vehicle is not required to be registered in Washington and the use of household goods, personal effects and private motor vehicles (excluding motor homes) by residents of Washington (and nonresident military personnel who are stationed in Washington), if the items were acquired and used while the owner was a resident of another state at least 90 days before entering this state.

Purpose: To encourage tourism in Washington and to avoid penalizing new residents of Washington by subjecting previously owned items to use tax.

Category/Year Enacted: Individuals. 1935

Primary Beneficiaries: Nonresidents who visit Washington on a temporary basis and new residents to the state who bring used household goods and vehicles with 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	\$9,358,615	\$9,604,978	\$9,858,797	\$10,120,299
Local taxes	\$2,879,574	\$2,955,378	\$3,033,476	\$ 3,113,938

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; such a tax would be difficult and costly to administer.

82.12.0254 VEHICLES USED IN INTERSTATE COMMERCE

Description: Use tax does not apply to the use of any airplanes, locomotives, railroad cars or watercraft and their component parts that are primarily used to transport property or persons for hire in interstate or foreign commerce. The exemption also applies to vessels primarily used in conducting commercial fishing operations outside of Washington waters.

Purpose: To encourage the use of Washington-based transportation providers.

Category/Year Enacted: Commerce. 1937

Primary Beneficiaries: Providers of interstate and foreign commerce transportation services.

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	\$ 32,015	\$ 33,936	\$ 35,633	\$ 37,414
Local taxes	\$ 8,373	\$ 8,876	\$ 9,319	\$ 9,785

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

SALES AND OTHER TAXES

82.12.0266 VEHICLES ACQUIRED IN THE MILITARY

Description: Exemption from use tax is provided for vehicles and trailers acquired and used by Washington residents while they were in the armed forces and stationed outside of Washington. The exemption does not cover persons called to active duty for training of less than six months or for vehicles acquired less than 30 days prior to discharge from the military.

Purpose: To support resident armed forces members and to create equity. Under RCW 82.12.0251 nonresidents who bring their vehicles into Washington and establish residency here are exempt from use tax.

Category/Year Enacted: Individuals. 1963

Primary Beneficiaries: Resident members 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	\$ 2,473	\$ 2,619	\$ 2,774	\$ 2,913
Local taxes	\$ 761	\$ 806	\$ 854	\$ 896

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

SALES AND OTHER TAXES

SALES/USE TAX EXEMPTIONS - PUBLIC ACTIVITIES

82.04.050(8) LABOR FOR PUBLIC ROADS

Description: Labor and services performed on public roads and transportation facilities owned by the federal or local (but not the state) governments are excluded from the definition of retail sale. A contractor for the federal government or a local jurisdiction must pay retail sales/use tax on materials incorporated into the project.

Purpose: The state cannot directly tax the federal government, but it can tax contractors who do work for the federal government on the value of the materials they incorporate into the project. The impact of the sales/use tax on materials is then indirectly passed on to the federal government. The exemption for labor and services for local road construction helps reduce the cost for local jurisdictions.

Category/Year Enacted: Government. 1943

Primary Beneficiaries: The U.S. government and Washington cities and counties.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2008</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$102,000	\$108,000	\$114,000	\$120,000
Local taxes	\$ 32,000	\$ 34,000	\$ 36,000	\$ 38,000

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; most of the impact is for local govt. (the federal government builds few roads) which could be taxed.

82.04.050(10) FEDERAL GOVERNMENT STRUCTURES

Description: Charges made for labor and services in connection with building, repairing or improving new or existing structures for the federal government or a local housing authority are excluded from the definition of retail sale. Also excluded are charges for moving earth and clearing land for these jurisdictions. The contractor must pay retail sales/use tax on materials incorporated into these projects.

Purpose: The state cannot directly tax the federal government, but it can tax contractors who do work for the federal government on the value of the materials they incorporate into the project. The impact of the sales/use tax on materials is then indirectly passed on to the federal government. The exemption for labor and services for local housing authorities helps reduce the cost for these entities.

Category/Year Enacted: Government. 1975

Primary Beneficiaries: The U.S. government and municipal housing authorities.

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	\$ 4,011	\$ 4,296	\$ 4,553	\$ 4,826
Local taxes	\$ 1,234	\$ 1,322	\$ 1,401	\$ 1,485

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No; most of the impact represents federal construction which could not be taxed.

SALES AND OTHER TAXES

82.04.050(11) R.T.A. MAINTENANCE SERVICE AGREEMENTS

Description: Any tangible personal property, including installation labor and services, provided to a regional transportation authority (R.T.A.) pursuant to a maintenance contract is exempt from retail sales/use tax. This applies to items installed in bus or rail transportation equipment.

Purpose: To facilitate regional transportation and clarify the application of sales tax to the R.T.A.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: Sound Transit.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Because there is only one affected taxpayer, the impacts for this exemption cannot be disclosed publicly.

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

82.08.02525 COPIES OF PUBLIC RECORDS 82.12.02525

Description: Charges received by state or local government agencies as reimbursement for the cost of providing copies of public records are exempt from retail sales/use tax. The exemption applies to documents provided pursuant to Chapter 42.17 RCW and only if no fee is charged for the record itself, other than the amount necessary to cover the actual costs of providing the document.

Purpose: To support open government and encourage citizens to seek the information they need from governmental agencies. To avoid having agencies devote resources to collecting small amounts of tax.

Category/Year Enacted: Individuals. 1996

Primary Beneficiaries: Washington citizens and state and local government agencies.

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	\$ 109	\$ 111	\$ 113	\$ 116
Local taxes	\$ 33	\$ 34	\$ 35	\$ 36

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

SALES AND OTHER TAXES

82.08.0255(1a & c) FUEL FOR URBAN TRANSIT & PASSENGER-ONLY FERRIES
82.12.0256(2a & c)

Description: Motor vehicle fuel purchased for the purpose of providing public transportation is exempt from retail sales/use tax. The fuel must also be exempt under the motor vehicle and special fuel taxes. In addition, fuel purchased by a public transportation benefit area or a county-owned ferry or county ferry district for use in passenger-only ferries is exempt.

Purpose: To reduce the cost of providing public transit and encourage the use of these systems by riders.

Category/Year Enacted: Government. 1980. Expanded to passenger ferries in 2007.

Primary Beneficiaries: Public transportation systems and their customers.

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	\$ 2,625	\$ 2,759	\$ 2,928	\$ 3,107
Local taxes	\$ 819	\$ 861	\$ 914	\$ 970

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

82.08.0256 PUBLIC UTILITY PROPERTY
82.12.0257

Description: The sale of operating property of a public utility to the state or a local government entity is exempt from retail sales/use tax, as long as the property is used in conducting a utility operation.

Purpose: This exemption generally addresses intergovernmental transfers of utility operations as a result of annexations or incorporations. These transfers do not result in financial gain but merely reflect a transfer of assets among jurisdictions.

Category/Year Enacted: Government. 1935

Primary Beneficiaries: State and local jurisdictions, municipal utilities, water districts, etc.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; there are few such sales involving utility operating property to or among governmental jurisdictions.

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

SALES AND OTHER TAXES

82.08.02569 GRAVITATIONAL WAVE OBSERVATORY
82.12.02569

Description: Exemption from retail sales/use tax is provided for tangible personal property that is incorporated into a structure which is an integral part of a laser interferometer gravitational wave observatory.

Purpose: To encourage construction of such a facility in Washington.

Category/Year Enacted: Government. 1996

Primary Beneficiaries: The California Institute of Technology and the federal government.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Construction of the facility on the Hanford Reservation is believed to be complete, with no further eligible construction anticipated.

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

82.08.0271 WATERSHED AND FLOOD PROTECTION
82.12.930

Description: State and local government entities are exempt from retail sales/use tax on tangible personal property consumed and labor and services rendered for watershed or flood protection projects. The exemption is limited to that portion of the selling price that is reimbursable by the federal government under the Watershed Protection and Flood Prevention Act.

Purpose: To support these programs.

Category/Year Enacted: Government. 1963

Primary Beneficiaries: State and local governments that construct projects under this act.

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	\$ 17	\$ 17	\$ 17	\$ 17
Local taxes	\$ 5	\$ 5	\$ 5	\$ 5

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

SALES AND OTHER TAXES

82.08.0275 SAND/GRAVEL FOR LOCAL ROADS
82.12.0269

Description: The cost of labor and services performed in mining, sorting and crushing of sand and gravel that is taken from a pit owned by or leased to a city or county is exempt from retail sales/use 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 assist local road construction and maintenance.

Category/Year Enacted: Government. 1965

Primary Beneficiaries: City and county governments and their road contractors.

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	\$ 1,953	\$ 2,064	\$ 2,169	\$ 2,302
Local taxes	\$ 610	\$ 644	\$ 677	\$ 719

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

82.08.0278 SALES RELATED TO ANNEXATION
81.12.0274

Description: Personal property that is sold by one governmental entity to another as a result of an annexation or incorporation is exempt from retail sales/use tax.

Purpose: To avoid taxing the non-enterprise activities of local governments.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Cities and counties.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; although there have been many annexations and incorporations in recent years, transfers of personal property among jurisdictions are believed to be infrequent.

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

SALES AND OTHER TAXES

82.08.0285 FERRY BOATS **82.12.0279**

Description: Construction and repair of ferry boats for the state of Washington or local governments are exempt from retail sales/use tax.

Purpose: To support state and local governments by reducing the cost of building or repairing these boats.

Category/Year Enacted: Government. 1977

Primary Beneficiaries: The state of Washington and any local jurisdictions that operate ferries.

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	\$ 6,421	\$ 6,405	\$ 7,190	\$ 7,190
Local taxes	\$ 2,005	\$ 2,000	\$ 2,245	\$ 2,245

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

82.08.0287 RIDE-SHARING VEHICLES **82.12.0282**

Description: Passenger motor vehicles designed to carry a minimum of five persons are not subject to retail sales/use tax if the vehicle is used for commuter ride-sharing or transportation of persons with special transportation needs for at least 36 consecutive months beginning with the date of purchase or first use.

Purpose: To encourage ride-sharing for fuel conservation purposes, to help reduce traffic congestion, and to assist in addressing the requirements of the Commute Trip Reduction Act, the Growth Management Act, the Americans with Disabilities Act and the Clean Air Act.

Category/Year Enacted: Other. 1980, vehicle size reduced to five passengers in 1993.

Primary Beneficiaries: Owners of vehicles used in van pools or to transport disabled persons.

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	\$ 651	\$ 701	\$ 754	\$ 811
Local taxes	\$ 195	\$ 210	\$ 225	\$ 243

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

SALES AND OTHER TAXES

82.08.02875 FOOTBALL STADIUM/EXHIBITION CENTER PARKING

Description: Retail sales/use tax does not apply to charges for parking vehicles at facilities owned by a public stadium authority, if the authority levies the tax on parking authorized by RCW 36.38.040.

Purpose: The local parking tax cited above is being levied by the Public Stadium Authority to help finance construction and operation of Qwest Field and the exhibition center. Imposing both the local parking tax and retail sales was considered to be too onerous for parking customers.

Category/Year Enacted: Government. 1997

Primary Beneficiaries: The Public Stadium Authority and users of the parking facility at Qwest Field.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Because there is only one taxpayer, the fiscal impact cannot be disclosed publicly.

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

82.08.02915 HOUSING FOR YOUTH IN CRISIS

82.12.02915

Description: Exemption from retail sales/use tax is allowed for nonprofit health or social welfare organizations for the cost of materials used in the construction of alternative housing facilities for youth who are "in crisis." The facility must be licensed under Chapter 74.15 RCW. The exemption does not extend to charges for labor or services associated with construction of these facilities.

Purpose: To encourage construction of shelters for youth who have left home.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Nonprofit organizations that build youth shelters.

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	\$ 58	\$ 61	\$ 64	\$ 68
Local taxes	\$ 18	\$ 19	\$ 20	\$ 21

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

SALES AND OTHER TAXES

82.08.0299 LODGING FOR HOMELESS PERSONS

Description: Exemption from retail sales tax is allowed for emergency lodging that is provided to homeless persons under a shelter voucher program. The exemption applies for a period of up to 30 days per recipient, and the voucher must be given by a local government agency or private organization that provides emergency food and shelter for homeless persons.

Purpose: To reduce the cost of providing housing services for the homeless.

Category/Year Enacted: Individuals. 1988

Primary Beneficiaries: Homeless persons who receive temporary lodging at hotels, etc. However, it is understood that vouchers are being replaced with longer term types of assistance.

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	\$ 11	\$ 11	\$ 12	\$ 12
Local taxes	\$ 10	\$ 10	\$ 11	\$ 11

*Impact includes hotel/motel taxes and state convention center tax.

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

82.08.0316 CIGARETTES SOLD VIA TRIBAL CONTRACTS **82.12.0316**

Description: Sales of cigarettes by Indian retailers are exempt from retail sales/use tax, if their tribes have entered into a cigarette tax contract with the state of Washington.

Purpose: Cigarette contracts between the state and Indian tribes are intended to provide consistency in the regulation and taxation of cigarettes.

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	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500
Local taxes	\$ 2,600	\$ 2,600	\$ 2,600	\$ 2,600

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

SALES AND OTHER TAXES

82.08.834 SALE/LEASEBACKS FOR R.T.A.
82.12.834

Description: Retail sales/use 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. To qualify, the original acquisition of the tangible personal property must have been subject to retail sales or use tax.

Purpose: The sale/leaseback arrangement (technically, a lease/leaseback) is a financing mechanism to facilitate the acquisition of equipment 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) It was anticipated that this procedure might be used to acquire the rolling stock for the high capacity transit system. 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 used to acquire equipment by Sound Transit.

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

82.08.870 MOTORCYCLES FOR RIDER-TRAINING PROGRAMS
82.12.845

Description: Retail sales/use tax does not apply to sales of motorcycles purchased for use in a rider-training program, or to motorcycles that are loaned to the Department of Licensing (DOL) for use in a rider-training program, or to persons contracting with DOL to provide such training.

Purpose: To support motorcycle rider-training programs.

Category/Year Enacted: Government. 2001

Primary Beneficiaries: The Department of Licensing and their contractors who provide motorcycle training.

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	\$ 3	\$ 3	\$ 3
Local taxes	\$ 1	\$ 1	\$ 1	\$ 1

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

SALES AND OTHER TAXES

82.08.995 PUBLIC DEVELOPMENT AUTHORITIES
82.12.995

Description: Exemption from retail sales/use tax is allowed for tangible personal property and services provided by a public corporation, commission or authority to: (1) a limited liability company in which the public corporation is the managing member; (2) a limited partnership in which the public corporation is the general partner; or (3) a single-asset entity required by a federal, state or local housing assistance program that is directly or indirectly controlled by the public corporation.

Purpose: To minimize the tax burden for companies formed to receive federal grant funding for low-income housing authorities.

Category/Year Enacted: Government. 2007

Primary Beneficiaries: Entities that receive federal grants for low-income housing projects.

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	\$ 1	\$ 1	\$ 1
Local taxes	\$ --	\$ --	\$ --	\$ --

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

82.12.02595 DONATIONS TO NONPROFITS & GOVERNMENT

Description: Use tax exemption is allowed for nonprofit charitable organizations and state/local governments for donated tangible personal property. If the reason for the donation was to allow the organization to provide the property to others, the use of the property by the recipient is exempt. Donors who provide the property without intervening use are also exempt under this statute.

Purpose: To allow charitable donations to take place without incurring use tax liability.

Category/Year Enacted: Nonprofit - other. 1995; extended to donors in 1998.

Primary Beneficiaries: Nonprofit groups and governmental entities that receive donated items.

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	\$ 457	\$ 467	\$ 479	\$ 490
Local taxes	\$ 143	\$ 146	\$ 149	\$ 153

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

SALES AND OTHER TAXES

82.12.0264 DRIVER-TRAINING VEHICLES

Description: Use tax exemption is provided for public and private schools and donors for vehicles used in driver-training programs. The vehicles must contain dual controls and be used exclusively by public or private schools (not commercial driver-training programs).

Purpose: To reduce the cost of providing driver-education programs and encourage vehicle dealers to provide vehicles to public and private schools for this purpose.

Category/Year Enacted: Government. 1955

Primary Beneficiaries: Public and private schools with such programs.

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	\$ 199	\$ 205	\$ 211	\$ 217
Local taxes	\$ 58	\$ 60	\$ 62	\$ 64

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

82.12.0284 COMPUTERS DONATED TO SCHOOLS

Description: Use tax exemption is provided to public and private schools for computers donated to them by individuals and businesses. The exemption covers computer hardware, components and accessories, as well as computer software. (Note: a similar exemption is provided for ALL tangible personal property that is donated to a government entity or a nonprofit charitable organization. However, that statute apparently would not cover donations of computers to private, nonprofit educational institutions.)

Purpose: To encourage individuals and businesses to donate computer equipment to schools.

Category/Year Enacted: Government (and nonprofit organizations). 1983

Primary Beneficiaries: Public and private K-12 schools, as well as colleges and universities.

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	\$ 70	\$ 70	\$ 70	\$ 70
Local taxes	\$ 22	\$ 22	\$ 22	\$ 22

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

SALES AND OTHER TAXES

RETAIL SALES/USE TAX - HEALTH-RELATED PURCHASES

82.04.050(2a) HOSPITAL LAUNDRY SERVICE

Description: Charges for laundry service for nonprofit health care facilities are excluded from the definition of retail sale. As a result, laundry businesses that provide services for nonprofit health care facilities do not collect sales tax but are subject to B&O tax under the service classification.

Purpose: To indirectly reduce the cost of health care.

Category/Year Enacted: Nonprofit - health and social welfare. 1973; originally limited to an association of nonprofit hospitals, expanded in 1998 to laundry charges for any nonprofit health care facility.

Primary Beneficiaries: Nonprofit health care facilities that contract for laundry services.

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	\$ 1,386	\$ 1,426	\$ 1,468	\$ 1,511
Local taxes	\$ 433	\$ 445	\$ 458	\$ 472

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

82.08.02795 FREE PUBLIC HOSPITALS 82.12.02745

Description: Retail sales/use tax does not apply to the purchase or use of tangible personal property by free hospitals when used in the operation of the hospital or the provision of health care services. The exemption requires that the hospital not charge its patients for health care services received.

Purpose: To reduce the cost of health services provided by hospitals that do not charge their patients.

Category/Year Enacted: Other. 1993

Primary Beneficiaries: One such hospital operates in Washington.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Because there is only one taxpayer affected by this exemption, the impact cannot be disclosed publicly.

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

SALES AND OTHER TAXES

82.08.02805 BLOOD AND TISSUE BANKS
82.12.02747

Description: Nonprofit blood and tissue banks are exempt from retail sales/use tax on purchases of medical supplies, chemicals and materials. However, the exemption does not extend to construction materials, office equipment and supplies, or vehicles.

Purpose: To support the activities of these entities.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Three such organizations operate 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	\$ 223	\$ 230	\$ 237	\$ 244
Local taxes	\$ 70	\$ 72	\$ 74	\$ 76

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

82.08.02806 HUMAN BODY PARTS
82.12.02748

Description: Sales of human blood, tissue, organs, bodies or body parts are exempt from retail sales/use tax, when they are used for medical research or quality control testing.

Purpose: To support medical research in Washington.

Category/Year Enacted: Other. 1996

Primary Beneficiaries: Medical research organizations.

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	\$ 333	\$ 366	\$ 403	\$ 443
Local taxes	\$ 102	\$ 113	\$ 124	\$ 136

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

SALES AND OTHER TAXES

82.08.02807 SUPPLIES FOR PROCUREMENT OF HUMAN ORGANS
82.12.02749

Description: Exemption from retail sales/use tax is allowed for medical supplies, chemicals or materials purchased by organ procurement organizations, as defined in federal law 42 U.S.C. Sec. 273(b).

Purpose: To support the activities of these organizations by allowing the same treatment provided for blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: It is believed that two entities qualify for the exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

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

82.08.0281 PRESCRIPTION DRUGS
82.12.0275

Description: Drugs prescribed for use by humans, drugs and devices prescribed for birth control, and drugs and devices for birth control that are dispensed by certain family planning clinics are exempt from retail sales/use tax, as long as the drugs are prescribed by a physician. The exemption is available for all levels of sales and distribution. It is not required that a hospital or physician make a specific charge to the patient for prescription drugs dispensed under a physician's order.

Purpose: To reduce the cost of health care.

Category/Year Enacted: Individuals. 1974; birth control added in 1993.

Primary Beneficiaries: Patients, physicians and hospitals who purchase prescription drugs and patients and family planning clinics that purchase drugs and devices for birth control 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	\$291,863	\$321,049	\$353,154	\$388,470
Local taxes	\$ 89,804	\$ 98,784	\$108,663	\$119,529

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

SALES TAXES

82.08.0283 MEDICAL DEVICES, NATUROPATHIC MEDICINE AND OXYGEN

82.12.0277

Description: Exemption from retail sales/use tax is provided for the following health-related products or devices: (1) prosthetic devices, including eyeglasses and frames, that are prescribed for individuals by a person licensed by the state to prescribe them; (2) medically prescribed oxygen and oxygen delivery systems; (3) medicine of mineral, animal or botanical origin that is prescribed, administered, dispensed or used in the treatment of an individual by a naturopath; and (4) components of prosthetic devices and charges for repairing devices exempted by this statute. Hearing aids, ostomic items and insulin were shifted to other statutes.

Purpose: To lessen the cost of medical care.

Category/Year Enacted: Individuals. 1975; hearing aids added in 1986; repair of hearing aids added in 1997 and components of prosthetic devices added in 1998. Further revisions in 2004 and 2005.

Primary Beneficiaries: Individuals who have medical conditions requiring the use of these devices.

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	\$ 74,209	\$ 81,630	\$ 89,793	\$ 98,772
Local taxes	\$ 22,834	\$ 25,117	\$ 27,629	\$ 30,391

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

82.08.803 NEBULIZERS

82.12.803

Description: Exemption from retail sales/use tax is allowed for nebulizers which are prescribed for human use by a physician. A nebulizer is a device that converts a liquid medication into a mist so that it can be inhaled by the patient. Included in the exemption are repair and replacement parts for nebulizers, as well as labor and service charges for cleaning, repairing, etc. (Note: nebulizers were previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of nebulizers.

Category/Year Enacted: Individuals. 2004; previously exempt as drug delivery systems.

Primary Beneficiaries: Persons who use prescribed nebulizers.

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	\$ 20	\$ 20	\$ 21	\$ 21
Local taxes	\$ 6	\$ 6	\$ 6	\$ 7

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

SALES AND OTHER TAXES

82.08.804 OSTOMIC ITEMS
82.12.804

Description: Exemption from retail sales/use tax is provided for ostomic items used by colostomy, ileostomy or urostomy patients. Such items refer to disposable medical supplies such as bags, belts, tape, tubes, soap, jellies, germicides, etc. The exemption does not extend to undergarments, pads or shields, sponges or rubber sheets. (Note: ostomic items were previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of ostomic items.

Category/Year Enacted: Individuals. 2004; previous these were exempt under RCW 82.08.804.

Primary Beneficiaries: Colostomy, ileostomy or urostomy patients.

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	\$ 115	\$ 118	\$ 121	\$ 125
Local taxes	\$ 36	\$ 37	\$ 38	\$ 39

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

82.08.808 COMPREHENSIVE CANCER CENTERS
82.12.808

Description: Exemption from retail sales/use tax is provided for the sale of medical supplies, chemicals, or materials to a comprehensive cancer center. The exemption does not extend to construction, office equipment, administrative supplies or vehicles.

Purpose: To encourage cancer research.

Category/Year Enacted: Nonprofit – health or social welfare. 2005

Primary Beneficiaries: One entity

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed.

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

SALES AND OTHER TAXES

82.08.925 DIETARY SUPPLEMENTS
82.12.925

Description: Dietary supplements for human use, dispensed or to be dispensed to patients pursuant to a prescription, are exempt from retail sales/use tax. (Note: dietary supplements were previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of prescribed dietary supplements.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Persons who take dietary supplements.

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	\$ 3,621	\$ 3,983	\$ 4,382	\$ 4,820
Local taxes	\$ 1,114	\$ 1,226	\$ 1,348	\$ 1,483

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

82.08.935 DRUG DELIVERY SYSTEMS
82.12.935

Description: Disposable devices used to deliver drugs for human use are exempt from retail sales/use tax. This includes items such as syringes, tubing and catheters. (Note: these devices were previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of drug delivery systems.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Hospitals, physicians, and patients.

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	\$ 49	\$ 54	\$ 59	\$ 65
Local taxes	\$ 15	\$ 17	\$ 18	\$ 20

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

SALES AND OTHER TAXES

82.08.940 OVER-THE-COUNTER DRUGS THAT ARE PRESCRIBED
82.12.940

Description: Over-the-counter drugs for human use that are either prescribed directly for patients or are purchased by hospitals or other medical facilities to be prescribed to patients, are exempt from retail sales/use tax. (Note: these drugs were previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of such drugs.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Hospitals, physicians and patients.

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	\$ 19,458	\$ 21,403	\$ 23,544	\$ 25,898
Local taxes	\$ 5,987	\$ 6,586	\$ 7,244	\$ 7,969

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

82.08.945 KIDNEY DIALYSIS EQUIPMENT
82.12.945

Description: This statute specifically exempts kidney dialysis devices for human use from retail sales/use tax. The exemption includes repair and replacement parts for such equipment. (Note: dialysis systems were previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of dialysis equipment.

Category/Year Enacted: Other business. 2003; previously this equipment was exempt under RCW 82.08.0283.

Primary Beneficiaries: Hospitals and clinics that purchase such equipment and ultimately the patients who use them.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; this statute is necessary for definitional purposes only.

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

SALES AND OTHER TAXES

82.08.985 INSULIN
82.12.985

Description: Insulin for use by humans is exempt from retail sales/use tax. (Note: insulin was previously exempt from sales/use tax. However, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of insulin.

Category/Year Enacted: Individuals. 2004 (previously exempt under RCW 82.08.0283)

Primary Beneficiaries: Persons with diabetes.

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	\$ 936	\$ 963	\$ 992	\$ 1,021
Local taxes	\$ 292	\$ 301	\$ 310	\$ 319

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

SALES AND OTHER TAXES

RETAIL SALES/USE TAX - OTHER EXEMPTIONS

82.04.050 PERSONAL AND PROFESSIONAL SERVICES

Description: The retail sales tax originally applied only to the sale of tangible personal property and thus, by definition, excluded services from the tax base. Since 1935, some services have been added to the tax base, including services to tangible personal property (e.g., repair services) in 1939; construction in 1941; rental of tangible personal property in 1959; certain amusement and recreation activities in 1961; and landscape maintenance, physical fitness and certain miscellaneous personal services in 1993. Although, technically, the remaining personal and professional services are not "exempt" because they were never in the tax base, there has been some interest in the amount of revenue represented by these activities, and therefore they are included in this report.

Purpose: The primary reasons that services were excluded from retail sales tax may have included these: (1) to maintain simplicity by taxing only one class of property, i.e. tangible goods; (2) to conform to the practice of other states at the time; (3) to minimize tax administration costs by not requiring service providers to collect the tax; and (4) a recognition that services did not represent a very large share of the state economy in the 1930s.

Category/Year Enacted: Services. 1935

Primary Beneficiaries: Individuals and businesses that use personal and professional services, as well as the businesses that provide these services.

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	\$1,942,743	\$1,999,613	\$2,058,147	\$2,118,395
Local taxes	\$ 606,435	\$ 624,187	\$ 642,459	\$ 661,265

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

*There are dozens, if not hundreds, of types of specific services. To provide a bit more detail, a breakdown of the above estimates is shown below for four major subcategories of services:

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Business Services:				
State tax	\$700,130	\$720,625	\$741,720	\$763,432
Local taxes	\$218,548	\$224,946	\$231,531	\$238,308
Consumer Services:				
State tax	\$195,270	\$200,986	\$206,869	\$212,925
Local taxes	\$ 60,954	\$ 62,739	\$ 64,575	\$ 66,465
Financial Services:				
State tax	\$329,840	\$339,434	\$349,434	\$359,663
Local taxes	\$102,961	\$105,975	\$109,077	\$112,270
Medical Services:				
State tax	\$717,503	\$738,506	\$760,124	\$782,375
Local taxes	\$223,971	\$230,527	\$237,276	\$244,221

SALES AND OTHER TAXES

82.04.050(2a) SELF-SERVICE LAUNDRY FACILITIES

Description: Charges for the use of self-service laundry facilities are excluded from the definition of retail sale. As a result, firms that provide laundry machines on an individual use basis (e.g., in laundromats) do not collect sales tax but are subject to B&O tax under the service classification.

Purpose: To equalize the tax treatment with coin-operated apartment laundry facilities.

Category/Year Enacted: Individuals. 1998; major expansion to all self-service facilities in 2005.

Primary Beneficiaries: Firms that operate coin-operated laundry machines and the customers who use laundry facilities in laundromats and apartment buildings.

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	\$ 4,395	\$ 4,440	\$ 4,485	\$ 4,532
Local taxes	\$ 1,372	\$ 1,386	\$ 1,400	\$ 1,415

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

82.04.050(2d) JANITORIAL SERVICES

Description: The definition of retail sale specifically excludes janitorial services, which are defined as cleaning and caretaking of buildings and structures, e.g., washing of windows and walls, cleaning and waxing of floors, and cleaning of rugs, drapes and upholstery (if done in the same location).

Purpose: To recognize that cleaning buildings does not meet the current definition of retail sale, since the activity is oriented toward merely preserving structures in their current condition, rather than actually changing the structure.

Category/Year Enacted: Services. 1935; although the specific language excluding cleaning of buildings did not appear in the definition until 1943.

Primary Beneficiaries: Janitorial service firms and their customers.

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	\$ 6,166	\$ 6,347	\$ 6,533	\$ 6,724
Local taxes	\$ 1,925	\$ 1,981	\$ 2,039	\$ 2,099

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

SALES AND OTHER TAXES

82.04.050(3e) TREE TRIMMING UNDER POWER LINES

Description: Excluded from the definition of retail sales are charges for pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or equipment. To qualify, the work must be performed by or under the direction of an electric utility.

Purpose: To clarify the tax liability of these activities in light of the extension of sales tax to landscaping services in 1993.

Category/Year Enacted: Tax base. 1995

Primary Beneficiaries: Firms that prune trees and brush under electric power transmission lines and the power companies that contract for their services.

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	\$ 3,231	\$ 3,288	\$ 3,345	\$ 3,404
Local taxes	\$ 1,199	\$ 1,220	\$ 1,241	\$ 1,263

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

82.04.050(6) CUSTOMIZED COMPUTER SOFTWARE

Description: Under the definition of retail sale, customized computer software, including customization of canned software, is not subject to retail sales tax. Instead, persons who produce customized software are subject to B&O tax under the service classification.

Purpose: To reflect the fact that producing customized software is considered as a service.

Category/Year Enacted: Services. 1998 Custom software had always been considered as a service rather than a retail sale but not until 1998 was this specifically recognized in the law.

Primary Beneficiaries: Buyers of custom and customized canned software.

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	\$ 90,006	\$ 99,037	\$118,909	\$142,769
Local taxes	\$ 27,694	\$ 30,473	\$ 36,587	\$ 43,929

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

SALES AND OTHER TAXES

82.04.062 PRECIOUS METALS & BULLION

Description: Sales of precious metals and monetized bullion from stock are exempt from retail sales tax. Wholesale and retail sales are also exempt from B&O tax, but dealers in these metals are subject to B&O service tax on commissions received.

Purpose: To provide tax relief to coin and bullion dealers who experience competition from dealers in other states which do not levy retail sales tax on such transactions.

Category/Year Enacted: Other business. 1985

Primary Beneficiaries: Sellers and purchasers of coin, bullion and precious metals.

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	\$ 6,052	\$ 6,174	\$ 6,297	\$ 6,423
Local taxes	\$ 1,862	\$ 1,900	\$ 1,938	\$ 1,976

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? To some degree. The industry argues that purchases can easily be made via mail order and the Internet and that the tax would drive purchases out of state. However, under the Streamline Sales and Use Tax Agreement, an increasing number of interstate purchases by Washington residents will become taxable in the future.

82.08.010(1) TRADE-INS

Description: The definition of selling price for purchases subject to retail sales tax may exclude the value of trade-ins. To qualify, the used items must be accepted by the vendor and be of "like-kind." For example, a used trombone may be traded-in for a new French horn, since both are musical instruments.

Purpose: To encourage purchases of new items, especially motor vehicles.

Category/Year Enacted: Individuals. 1984 (by initiative of the voters).

Primary Beneficiaries: Vehicle and farm implement dealers.

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	\$155,015	\$159,931	\$167,928	\$176,324
Local taxes	\$ 47,697	\$ 49,210	\$ 51,670	\$ 54,254

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

SALES AND OTHER TAXES

82.08.0251 CASUAL AND ISOLATED SALES

Description: Persons who are not otherwise engaged in business activities are not required to collect retail sales tax when they sell items or services meeting the definition of a retail sale to consumers. The buyers of such items or services remain liable for use tax on the value of these purchases.

Purpose: To limit retail sales tax collection and reporting to business entities. Also, the exemption recognizes the practical problems associated with locating and registering casual sellers.

Category/Year Enacted: Individuals. 1935

Primary Beneficiaries: Individuals who sell used items at "garage" sales and businesses that sell their used 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	\$ 5,047	\$ 5,313	\$ 5,739	\$ 6,200
Local taxes	\$ 1,576	\$ 1,659	\$ 1,792	\$ 1,936

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

82.08.0253 NEWSPAPERS

82.12.0345

Description: Newspapers are exempt from retail sales/use tax, including those sold by subscription and at newsstands. Department of Revenue rules define newspaper as a publication of general interest issued at regular intervals of less than two weeks, containing articles of general interest and current events and without substantial binding.

Purpose: To recognize the practical problem of collecting sales tax on individual sales of about a nickel, the typical price of a newspaper in 1935. Arguments have also been made in the past that newspaper carriers (mostly youth) should not have to be responsible for collecting and reporting the tax; however, the billing function has now largely been centralized by the publisher.

Category/Year Enacted: Individuals. 1935; use tax exemption added in 1994.

Primary Beneficiaries: Publishers and purchasers of newspapers.

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	\$ 15,822	\$ 16,409	\$ 17,040	\$ 17,725
Local taxes	\$ 4,941	\$ 5,125	\$ 5,322	\$ 5,536

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

SALES AND OTHER TAXES

82.08.02535 FUND-RAISING SALES OF MAGAZINES

Description: Magazine subscriptions sold by schools or nonprofit organizations for purposes of raising funds to support their school or organization are exempt from retail sales tax.

Purpose: To support these organizations.

Category/Year Enacted: Nonprofit - other. 1995

Primary Beneficiaries: Schools and nonprofit youth organizations.

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	\$ 353	\$ 364	\$ 375	\$ 386
Local taxes	\$ 110	\$ 114	\$ 117	\$ 121

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

82.08.02537 ACADEMIC TRANSCRIPTS

82.12.0347

Description: Exemption from retail sales/use tax is provided for public and private educational institutions for the amount of fees charged for providing copies of academic transcripts on behalf of their current and former students.

Purpose: To provide tax relief for students who are charged for copies of academic transcripts sent on their behalf to other schools, prospective employers, etc.

Category/Year Enacted: Individuals. 1996

Primary Beneficiaries: Students. Also, public and private high schools and colleges which are relieved of the task of collecting sales tax on charges for providing transcripts.

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	\$ 31	\$ 31	\$ 32	\$ 33
Local taxes	\$ 10	\$ 10	\$ 10	\$ 10

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

SALES AND OTHER TAXES

82.08.0255(1d) MOTOR VEHICLE/SPECIAL FUEL USED ON PUBLIC HIGHWAYS
82.12.0256(2d)

Description: Fuel that is subject to the motor vehicle fuel tax or special fuel tax (i.e., gasoline, diesel, propane, etc. that is used on public highways of the state) is exempt from retail sales/use tax.

Purpose: To avoid double taxation. However, there are other instances of products being subject to a tax at the distributor level and another tax at the retail level.

Category/Year Enacted: Individuals. 1935

Primary Beneficiaries: Individuals and businesses that purchase fuel for use on public highways.

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	\$477,865	\$490,195	\$499,994	\$509,385
Local taxes	\$149,241	\$153,092	\$156,152	\$159,085

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

82.08.02573 NONPROFIT ORGANIZATION FUND-RAISING

Description: Nonprofit organizations are exempt from retail sales tax on revenue they receive via fund-raising activities, as long as the funds are used to support the purposes of the organization. The exemption does not extend to the regular operation of a bookstore, thrift shop or restaurant.

Purpose: To support the activities of these organizations.

Category/Year Enacted: Nonprofit - other. 1998; previously exemption was provided for bazaars, rummage sales and fund-raising auctions.

Primary Beneficiaries: Nonprofit organizations that conduct fund-raising activities.

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	\$ 684	\$ 704	\$ 726	\$ 747
Local taxes	\$ 214	\$ 220	\$ 227	\$ 233

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

SALES AND OTHER TAXES

82.08.0258 RED CROSS **82.12.0259**

Description: The American Red Cross is exempt from retail sales/use tax on items they purchase.

Purpose: To support the programs and social benefits the Red Cross provides. Additionally, the Red Cross is considered as a nontaxable federal instrumentality under constitutional case law and can not be directly taxed by the state.

Category/Year Enacted: Nonprofit - health or social welfare. 1945

Primary Beneficiaries: The Red Cross is the only qualifying organization.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated, because it is believed to affect fewer than three taxpayers.

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

82.08.0282 RETURNABLE CONTAINERS **82.12.0276**

Description: Returnable food or beverage containers are exempt from retail sales/use tax.

Purpose: A retailer's purchase of nonreturnable food and beverage containers is normally exempt from sales/use tax because the containers are later sold to consumers. This exemption provides comparable treatment for returnable containers that would not otherwise qualify for the resale exemption, since the containers are not technically "sold" to the food or beverage purchaser.

Category/Year Enacted: Other business. 1974

Primary Beneficiaries: Firms that purchase containers for supplying food and beverages to consumers which could be returned by the consumer to the vendor.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; many beverage containers are now plastic and nonreturnable; cans and bottles are more often recycled than returned to the vendor in this state.

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

SALES AND OTHER TAXES

82.08.0289 LOCAL RESIDENTIAL & COIN-OP TELEPHONE SERVICE

Description: Exemption from retail sales/use tax is allowed for local calls made by residential telephone customers, calls made from coin-operated payphones, and calls made from cell phones by a customer whose primary place of use is outside the state.

Purpose: To relieve the tax burden for the "necessary" portion of telephone service (i.e., local calls by individuals). The coin-operated exemption is for purposes of administrative simplicity, while the mobile telecommunication service exemption is consistent with the state's implementation of the federal mobile telecommunication act and is intended to clarify "sourcing" issues related to taxing cell phone usage.

Category/Year Enacted: Individuals. 1983; extended to out-of-state mobile phones in 2002.

Primary Beneficiaries: Residential telephone customers, coin-operated phone users and nonresident owners of mobile phones.

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	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000
Local taxes	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000

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

82.08.0291 RECREATION & PHYSICAL FITNESS SERVICES **82.12.02917**

Description: Exemption from retail sales/use tax is allowed for amusement, recreation and physical fitness services that are provided by nonprofit youth organizations and for physical fitness classes provided by a local government.

Purpose: To support the activities of youth organizations and to clarify that fees for physical fitness classes by local governments are not considered as enterprise income.

Category/Year Enacted: Nonprofit - charitable or religious. 1981, significant expansion in 1984.

Primary Beneficiaries: Approximately 200 nonprofit youth organizations and their members.

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	\$ 5,427	\$ 5,590	\$ 5,758	\$ 5,931
Local taxes	\$ 1,646	\$ 1,746	\$ 1,798	\$ 1,852

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

SALES AND OTHER TAXES

82.08.0293 FOOD PRODUCTS **82.12.0293**

Description: Food and food ingredients purchased for human consumption are exempt from retail sales/use tax. Excluded from the definition of food are alcoholic beverages, tobacco products, soft drinks, and dietary supplements. The exemption does not apply to prepared foods.

Purpose: To lessen the regressivity of the sales tax and to reduce the cost of essential items.

Category/Year Enacted: Individuals. 1982. NOTE, the original statute was adopted in 1977 by initiative of the voters in November 1977, effective July 1, 1978. The exemption was temporarily repealed from May 1982 through June 1983. In 2003, the statute was amended to add language conforming to the Streamlined Sales and Use Tax Agreement; these extended the exemption to bottled water and removed the exemption for non-carbonated drinks containing less than 50 percent fruit juice.

Primary Beneficiaries: Consumers who purchase food 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	\$833,511	\$875,186	\$918,946	\$964,893
Local taxes	\$256,464	\$269,288	\$282,753	\$296,790

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

82.08.0297 FOOD STAMP PURCHASES **82.12.0297**

Description: Items purchased with food stamps issued by the U.S. Department of Agriculture are exempt from retail sales/use tax. This includes products such as soft drinks, vitamins, and cold, prepared deli items which are not considered as food items for home consumption eligible for the sales tax exemption.

Purpose: Federal law requires states to exempt food stamp purchases (denoted as “Basic Foods”) from sales tax as a condition of participation in the federal food stamp program.

Category/Year Enacted: Individuals. 1987

Primary Beneficiaries: Food stamp recipients.

Possible Program Inconsistency: Yes; the definition of products eligible for sales tax exemption in RCW 82.08.0293 does not exactly correspond with the products which the federal government allows to be purchased with food stamps.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 2,174	\$ 2,391	\$ 2,630	\$ 2,893
Local taxes	\$ 669	\$ 736	\$ 809	\$ 890

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

SALES AND OTHER TAXES

82.08.031 ARTS AND CULTURAL ORGANIZATIONS **82.12.031**

Description: Items purchased by artistic or cultural organizations which are acquired for purposes of exhibition or presentation to the general public are exempt from retail sales/use tax. Included are objects of art, items with cultural value, objects used to create art (other than tools), and items used in displaying art and presenting cultural presentations and performances.

Purpose: To support these organizations and the social benefits they provide.

Category/Year Enacted: Nonprofit - arts or cultural. (However, the statute does not require nonprofit status.) 1981

Primary Beneficiaries: Approx. 300 – 350 artistic and cultural organizations 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	\$ 1,455	\$ 1,455	\$ 1,455	\$ 1,455
Local taxes	\$ 461	\$ 461	\$ 461	\$ 461

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

82.08.032 USED PARK-MODEL TRAILERS **82.12.032**

Description: Exemption from sales/use tax is allowed for the sale, rental or lease (more than 30 days) of used park-model trailers. These units are travel trailers of up to 400 square feet which have lost their identity as a mobile unit by being permanently sited, placed on a foundation and connected to utilities.

Purpose: To provide tax treatment for used park-model trailers comparable to the treatment of residential real estate. The initial purchase of a park-model trailer, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of park-model trailers are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 2001

Primary Beneficiaries: Purchasers/renters of park-model trailers.

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	\$ 235	\$ 242	\$ 249	\$ 257
Local taxes	\$ 56	\$ 58	\$ 59	\$ 61

*Impact is net of state and local real estate excise taxes.

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

SALES AND OTHER TAXES

82.08.033 USED MOBILE HOMES
82.12.033

Description: Exemption from retail sales/use tax is allowed for the sale, rental or lease (more than 30 days) of a used mobile home that is attached to the land.

Purpose: To provide tax treatment for such mobile homes comparable to the treatment of residential real estate. The initial purchase of a mobile home, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of mobile homes that are attached to the land are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 1979

Primary Beneficiaries: Purchasers/renters of used mobile homes.

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	\$ 16,370	\$ 16,640	\$ 16,900	\$ 17,250
Local taxes	\$ 3,930	\$ 3,990	\$ 4,050	\$ 4,110

*Impact is net of state and local real estate excise taxes.

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

82.08.034 USED FLOATING HOMES
82.12.034

Description: Exemption from retail sales/use tax is allowed for the sale, rental or lease (of more than 30 days) of a used floating home as defined in RCW 82.45.032.

Purpose: To provide tax treatment for used floating homes comparable to the treatment of residential real estate. The initial purchase of a floating home, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of floating homes are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 1984

Primary Beneficiaries: Purchasers/renters of used floating homes.

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	\$ 125	\$ 132	\$ 138	\$ 145
Local taxes	\$ 30	\$ 32	\$ 33	\$ 35

*Impact is net of state and local real estate excise taxes.

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

SALES AND OTHER TAXES

82.08.036 CORE DEPOSITS; TIRE FEES
82.12.038

Description: The value of returnable products accepted by vendors for recycling or remanufacturing is exempt from retail sales/use tax. Also, the statute excludes from the measure of sales/use tax the amount of the \$1.00 tire assessment imposed under RCW 70.95.510. (The tire tax was re-imposed for a five year period, starting July 1, 2005.)

Purpose: The exemption for core charges (items returned for recycling/remanufacturing) is unnecessary since these items are considered to be trade-ins which are already exempt. The exemption for the tire fee affirms that the sales tax was not intended to apply to receipts that represent payment of another tax.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Purchasers of rebuilt auto parts and tire dealers.

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	\$ 252	\$ 262	\$ 270	\$ 0
Local taxes	\$ 79	\$ 82	\$ 84	\$ 0

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

82.08.807 DELIVERY CHARGES FOR DIRECT MAIL
82.12.807

Description: Retail sales/use tax does not apply to delivery charges made for direct mail, if the charges are separately stated on the billing given to the purchaser. Direct mail refers to printed material delivered without charge to a mass audience or a mailing list provided by the purchaser.

Purpose: To clarify the taxation of delivery charges for direct mail.

Category/Year Enacted: Other business. 2005

Primary Beneficiaries: Direct mail service providers.

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	\$ 144	\$ 148	\$ 153	\$ 157
Local taxes	\$ 44	\$ 46	\$ 47	\$ 48

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

SALES AND OTHER TAXES

82.08.809 ALTERNATIVE-FUEL VEHICLES
82.12.809

Description: Retail sales & use tax does not apply to sales of new passenger cars and light duty trucks which are powered exclusively by a clean-burning, alternative fuel such as natural gas, propane, hydrogen or electricity. This exemption takes effect on January 1, 2009 and expires on January 1, 2011.

Purpose: To encourage the sale of alternative fuel vehicles.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: Firms that sell, and customer that purchase, alternative fuel 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	\$ 0	\$ 935	\$ 2,244	\$ 1,309
Local taxes	\$ 0	\$ 289	\$ 693	\$ 404

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

82.08.813 HYBRID TECHNOLOGY VEHICLES
82.12.813

Description: Retail sales & use tax does not apply to sales of new passenger cars and light duty trucks which utilize hybrid technology and have a mileage rating of at least 40 miles per gallon. This exemption takes effect on January 1, 2009 and expires on January 1, 2011.

Purpose: To encourage the sale of hybrid, fuel-efficient vehicles.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: Firms that sell, and customer that purchase, hybrid, fuel-efficient 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	\$ 0	\$ 5,950	\$ 14,280	\$ 8,330
Local taxes	\$ 0	\$ 1,663	\$ 3,990	\$ 2,328

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

SALES AND OTHER TAXES

82.08.815 AUXILIARY POWER EQUIPMENT – FOR SUPPLY TO TRUCKS **82.12.815**

Description: Retail sales/use tax does not apply to sales of machinery and equipment or services rendered in the construction, installation, repair, etc. of facilities that are necessary to deliver auxiliary power to heavy duty diesel vehicles through onboard or stand-alone electrification systems.

Purpose: To reduce diesel engine air pollution by encouraging truck stop operators to provide electric power to truck systems.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Owners of truck stops.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to the very high costs associated with installing these systems, it is believed that there will be minimal utilization of this tax incentive.

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

82.08.825 AUXILIARY POWER EQUIPMENT – ALLOW TRUCKS TO RECEIVE **82.12.825**

Description: Retail sales/use tax does not apply to sales of machinery and equipment or installation services associated with modification of heavy duty diesel vehicles to enable the vehicle to utilize auxiliary electrical power through onboard or stand-alone electrification systems.

Purpose: To reduce diesel engine air pollution by encouraging operators of diesel trucks to install the necessary onboard electrification system to utilize the "shore" power at truck stops.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Operators of heavy duty diesel trucks.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to the very high costs associated with installing these systems, it is believed that there will be minimal utilization of this tax incentive.

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

SALES AND OTHER TAXES

82.08.830 NONPROFIT CAMPS AND CONFERENCE CENTERS

Description: Retail sales tax does not apply to items sold by nonprofit organizations at camps or conference centers, if the income from the sale is exempt from B&O tax and the property where the sale took place is exempt from property tax. The exemption covers items such as lodging, parking, meals, books, tapes and other products available only to participants of the camp or conference center event and not to the general public.

Purpose: To reduce the cost of operating such camps and conference centers and to support these nonprofit organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1997

Primary Beneficiaries: Participants at camps and conferences operated by nonprofit organizations.

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	\$ 152	\$ 153	\$ 155
Local taxes	\$ 47	\$ 47	\$ 48	\$ 48

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

82.08.832 GUN SAFES 82.12.832

Description: Retail sales/use tax does not apply to locked enclosures specifically designed to store firearms. The exemption does not include trigger lock devices.

Purpose: To encourage the purchase and use of gun safes.

Category/Year Enacted: Individuals. 1998

Primary Beneficiaries: Persons who purchase gun safes.

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	\$ 78	\$ 81	\$ 87	\$ 93
Local taxes	\$ 24	\$ 25	\$ 27	\$ 29

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

SALES AND OTHER TAXES

82.08.835 SOLAR HOT WATER HEATING EQUIPMENT
82.12.835

Description: Retail sales/use tax exemption is allowed for purchases and installation of solar hot water systems which are certified by the Solar Rating and Certification Corporation. The exemption is scheduled to expire on July 1, 2009.

Purpose: To encourage the purchase of such systems.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approximately 50 purchasers of these systems annually.

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	\$ 13	\$ 0	\$ 0
Local taxes	\$ 4	\$ 4	\$ 0	\$ 0

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

82.08.950 ELECTRICITY AND STEAM
82.12.950

Description: This statute specifically exempts electricity and steam from retail sales/use tax. (Note: This exemption does not change the taxability of electricity and steam, which had previously been excluded from the definition of tangible personal property subject to Washington sales/use tax. However, the exemption was necessary to bring Washington sales tax law into conformity with the Streamline Sales and Use Tax Agreement.)

Purpose: For consistency with the Streamlined Sales and Use Tax Agreement.

Category/Year Enacted: Tax base. 2003

Primary Beneficiaries: Purchasers of electricity and steam.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; this statute is necessary for definitional purposes only.

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

SALES AND OTHER TAXES

82.12.860 CREDIT UNIONS – CONVERSION TO STATE CHARTER

Description: State-chartered credit unions are exempt from use tax on any tangible personal property, services, or extended warranties acquired from a federal, out-of-state or foreign credit union as a result of a merger or conversion.

Purpose: To enable state-chartered credit unions to compete with federally-chartered credit unions.

Category/Year Enacted: Other business. 2006

Primary Beneficiaries: State-chartered credit unions involved in mergers or conversions.

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	\$ 174	\$ 179	\$ 185	\$ 190
Local taxes	\$ 54	\$ 55	\$ 57	\$ 58

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

82.14.410 LOCAL SALES TAX RATE CAP FOR LODGING 67.28.181

Description: These statutes exempt charges for lodging from any retail sales/use tax levied by a local government jurisdiction after December 1, 2000, if the local tax would have resulted in a combined tax rate on such charges in excess of 12.0 percent or the rate that would otherwise have applied on December 1, 2000. Included in the calculation of the maximum tax rate that would have applied on December 1, 2000 are the state retail sales tax (6.5%); city/county local sales tax (1.0%); transit district local sales tax (0.6%); criminal justice local sales tax (0.1%); the state convention center tax on hotels with more than 60 units that applies in King County (7.0% within Seattle; 2.8% elsewhere), and hotel/motel taxes levied by cities and counties (2.0%). These totaled 15.2 percent for lodging within Seattle and 12.0 percent elsewhere. As a result, lodging at facilities with more than 60 units in Seattle was excluded from the additional local sales tax for transit (rate increased from 0.6 to 0.8% in April 2001). Similarly, local sales taxes in parts of Pierce County have been restricted from new or increased local taxes on lodging.

Purpose: To encourage tourist activities in areas with high tax rates.

Category/Year Enacted: Other business. 2001

Primary Beneficiaries: Hotels/motels in Seattle with more than 60 units and hotels/motels of any size in Pierce County and their customers.

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	\$ 0	\$ 0	\$ 0
Local taxes	\$ 3,106	\$ 3,261	\$ 3,424	\$ 3,595

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

SALES AND OTHER TAXES

82.14.430(1) REGIONAL TRANSP. TAX; EXEMPTION OF MOTOR VEHICLES

Description: This statute authorizes a regional transportation investment district (RTID) to levy a local retail sales/use tax of up to 0.1 percent to finance regional transportation projects. Subsection (1) exempts motor vehicles from the local tax. However, subsection (2) imposes a special use tax at the same tax rate on motor vehicles purchased by residents of the district.

Purpose: This unique tax arrangement enables vehicle dealers located within such a district to avoid having to collect the 0.1 percent local sales tax for regional transportation from purchasers of new or used vehicles who reside outside of the district. Conversely, residents of the district who purchase vehicles from dealers located outside of the district will still be subject to the tax.

Category/Year Enacted: Tax base. 2002

Primary Beneficiaries: Tax not yet imposed. A proposal to implement the 0.1 percent tax was on the November, 2007 ballot in Snohomish, King and Pierce counties but was not approved.

Possible Program Inconsistency: None evident, except that all other state and local sales taxes, except the public safety tax, apply to motor vehicles.

Taxpayer Savings (\$000) None; local tax not yet adopted.

82.14.450(3) LOCAL SALES TAX EXEMPTION; VEHICLES

Description: Counties are authorized to levy a local retail sales/use tax of up to 0.3 percent to finance criminal justice and other programs. One-third of the receipts must be devoted to criminal justice expenditures. The county retains 60 percent of the receipts and the remainder is shared with cities on a per capita basis. Subsection (3) of the statute provides that sales of motor vehicles are exempt from the local tax. Similarly, leases of motor vehicles for the first 36 months of the lease period are exempt.

Purpose: The exemption acknowledges that vehicle dealers will have to compete with sellers located in adjacent areas where the local tax is not levied.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Vehicle dealers and purchasers in the four counties where the local sales/use tax for public safety is imposed: Spokane, 0.1%; Walla Walla, 0.3%; Whatcom, 0.1%; and Yakima, 0.3%.

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	\$ 0	\$ 0	\$ 0
Local taxes	\$ 1,975	\$ 2,034	\$ 2,095	\$ 2,158

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

SALES AND OTHER 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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

SALES AND OTHER TAXES

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.

Appendix One AUTHORIZING STATUTE FOR EXEMPTION STUDY

RCW 43.06.400 Listing of reduction in revenues from tax exemptions to be submitted to legislature by department of revenue -- Periodic review and submission of recommendations to legislature by governor.

Beginning in January 1984, and in January of every fourth year thereafter, the department of revenue shall submit to the legislature prior to the regular session a listing of the amount of reduction for the current and next biennium in the revenues of the state or the revenues of local government collected by the state as a result of tax exemptions. The listing shall include an estimate of the revenue lost from the tax exemption, the purpose of the tax exemption, the persons, organizations, or parts of the population which benefit from the tax exemption, and whether or not the tax exemption conflicts with another state program. The listing shall include but not be limited to the following revenue sources:

- (1) Real and personal property tax exemptions under Title [84](#) RCW;
- (2) Business and occupation tax exemptions, deductions, and credits under chapter [82.04](#) RCW;
- (3) Retail sales and use tax exemptions under chapters [82.08](#), [82.12](#), and [82.14](#) RCW;
- (4) Public utility tax exemptions and deductions under chapter [82.16](#) RCW;
- (5) Food fish and shellfish tax exemptions under chapter [82.27](#) RCW;
- (6) Leasehold excise tax exemptions under chapter [82.29A](#) RCW;
- (7) Motor vehicle and special fuel tax exemptions and refunds under chapters [82.36](#) and [82.38](#) RCW;
- (8) Aircraft fuel tax exemptions under chapter [82.42](#) RCW;
- (9) Motor vehicle excise tax exclusions under chapter [82.44](#) RCW; and
- (10) Insurance premiums tax exemptions under chapter [48.14](#) RCW.

The department of revenue shall prepare the listing required by this section with the assistance of any other agencies or departments as may be required.

The department of revenue shall present the listing to the ways and means committees of each house in public hearings.

Beginning in January 1984, and every four years thereafter the governor is requested to review the report from the department of revenue and may submit recommendations to the legislature with respect to the repeal or modification of any tax exemption. The ways and means committees of each house and the appropriate standing committee of each house shall hold public hearings and take appropriate action on the recommendations submitted by the governor.

As used in this section, "tax exemption" means an exemption, exclusion, or deduction from the base of a tax; a credit against a tax; a deferral of a tax; or a preferential tax rate.

[1999 c 372 § 5; 1987 c 472 § 16; 1983 2nd ex.s. c 3 § 60.]

Appendix Two

ASSUMPTIONS AND METHODOLOGY

This appendix describes the information provided for each of the 568 exemptions, deductions, differential tax rates, deferrals and credits that are presented in this report. It explains some of the principal assumptions and what the data represent.

Description

The first item for each exemption is a short explanation of the exemption. It draws upon the statute, administrative rules of the Department, and discussions with personnel of the agency that collects the tax in question.

Purpose

The second section of each exemption contains a statement with the presumed legislative intent of the statute. In most instances, the law does not explicitly state the intention, so this statement is often only presumed on the part of the analyst. However, for both the description and purpose statements, legal staff of the Department's Legislation and Policy Division have reviewed the language and made suggestions as to the meaning and intent of the statute.

Category/Year Enacted

In order to produce more meaningful totals across different tax types, each exemption has been assigned to one of eleven categories (with further breakdown for nonprofit organizations). This enables the grouping of exemptions, so that exemptions that are intended to achieve a particular purpose or benefit a specific type of taxpayer can be aggregated. It is recognized that certain exemptions could be categorized in different ways; thus this process is arbitrary at best.

The year that the exemption statute was first adopted is noted. However, the report does not attempt to track all subsequent amendments to the statute. The estimates of taxpayer savings are based on the statute as it existed in 2007 when the analysis was done.

Primary Beneficiaries

One of the items which the authorizing statute for the study requests is an identification of the beneficiaries of the tax exemption. In most instances, the actual number of individuals or businesses that claim the exemption is unknown. However, when appropriate, the analyst has attempted to estimate the number of beneficiaries or at least describe the types of entities that utilize the exemption.

Possible Program Inconsistency

The authorizing statute also requires that any "conflicts with another state program" be identified. This has been interpreted as meaning programs where the state is devoting budgetary resources to achieve a specified goal or outcome, but the impact of the tax exemption undermines or hinders the accomplishment of those goals or outcomes. There are very few instances in which any such conflicts or inconsistencies have been identified.

Tax Savings

The estimated impact of the exemptions, in terms of accrued tax liability, is presented for each year of the current (2007-09) biennium, as well as the ensuing two year period (2009-11 biennium) for state taxes and the aggregate total for local government taxes. Each of these figures is indicated in the text of the report. Also, the totals for the current biennium are shown in the Summary Listing at the beginning of this report. For readers who wish to combine the amounts in other ways, e.g., totals for the 2009-11 biennium, a more detailed spreadsheet appears on the Department's webpage at: dor.wa.gov; the 2008 Tax Exemption Report appears under the heading of "Statistical Reports."

For property taxes which operate on a calendar year basis, the calendar year estimates are used as a proxy for fiscal years. These are simply added to fiscal year figures for the excise taxes which comprise the remainder of the report to arrive at category totals. The report includes the local tax component for those sources which both the state and local jurisdictions share (property, sales, timber, etc.). However, the report does not consider some purely local taxes, such as municipal business taxes, because the Department is not involved in administration of these sources and because there is no adequate data indicating the impact of these local tax exemptions.

The starting point for the analysis of exemption impacts is the workpapers for previous exemption studies (the latest being the 2004 report). In some instances, there is no better or more current information available. For others, new data sources and estimation methodologies have been developed. Because of potential differing interpretations and conflicting data sources, the estimates presented in this report may differ significantly from the amounts shown previously.

The assumed tax rates used in calculating taxpayer savings are listed below.

Tax Rates

Property Tax:

Levy rates for the state levy (\$3.60 per thousand of assessed value, adjusted to full market value in each county) and the aggregate local levy rates for all other taxing districts, both reflecting the 1.0 percent limitation on regular levy revenue growth, are projected for the following calendar years:

<u>Year Due</u>	<u>State Rate</u>	<u>Local Rates</u>
2008	\$2.04	\$8.13
2009	\$2.06	\$8.33
2010	\$2.04	\$8.40
2011	\$1.99	\$8.32

Leasehold Excise Tax:

Applied to the rental value of publicly-owned property which is leased to private entities:

state rate of 6.84%

local rate of 6.0%

Excise Taxes on Vehicles:

- Local motor vehicle excise tax: tax of 0.3% by the Regional Transit Authority (RTA, i.e., Sound Transit) to finance a high-capacity rapid transit system. (Does not consider possible new local motor vehicle excise tax by the Regional Transportation Investment District on the November, 2007 ballot. NOTE: this was defeated)
- Aircraft excise tax: \$25 - \$125
- Watercraft excise tax: 0.5% of fair market value

Timber Excise Tax:

State tax of 1.0% on timber harvested from private lands and 5.0% on public lands

Local tax of 4.0% on timber harvested from private lands

(Note: the state tax on public lands is being phased down from 5.0% to 1.0% with the balance being shifted to counties.

Business and Occupation Tax: (state tax only)

Major rate classifications:

Retailing	0.471%
Manufacturing	0.484%
Wholesaling	0.484%
Public/nonprofit hospitals	1.5%
Services and other	1.5%

Public Utility Tax: (state tax only)

Major rate classifications:

Water distribution	5.029%
Electric power	3.873%
Gas, sewer	3.852%
Motor/rail transportation	1.926%
Urban transportation	0.642%
All other utilities	1.926%

Insurance Premiums Tax:

2.0% for domestic and foreign insurance companies.

Refuse Collection Tax:

3.6% of charges made by solid waste collection firms.

Litter Tax:

0.015% of the value of certain litter-related products.

Petroleum Products Tax:

0.5% of the wholesale value of petroleum-based products. The tax was reimposed during Fiscal Year 2004 but is again in hiatus and is expected to remain not in effect.

Oil Spill Tax:

\$0.04 per 42 gallon barrel of crude oil imported into Washington via ship or barge and off-loaded at a location within the state.

Enhanced Foodfish/Shellfish Tax:

Major tax rates: 5.62% for most salmon species; 3.37% for pink/sockeye salmon; 2.25% for most other fish and shellfish, except sea cucumbers and urchins.

Soft Drinks Syrup Tax:

\$1.00 per gallon of syrup used to produce carbonated beverages.

Retail Sales/Use Tax:

State rate: 6.5%

Local rates: statewide average of 2.0%

Tobacco Taxes:

Cigarette tax: \$2.025 per pack of 20 cigarettes

- FY 2008 -
- FY 2009 & thereafter -

Other Tobacco Products: 75.0% of selling price

Fuel Taxes:

Motor Vehicle Fuel Tax:

- FY 2008 - 36 cents per gallon
- FY 2009 & thereafter - 37.5 cents per gallon

Special Fuel Tax:

- FY 2008 - 36 cents per gallon/100 cubic feet
- FY 2009 & thereafter - 37.5 cents per gallon/100 cubic feet

Aircraft Fuel Tax: 11 cents per gallon

Liquor Sales Taxes:

Liquor Sales Tax: 20.5% of wholesale price

Liquor Liter Tax: \$3.77 per liter

Beer Excise Tax: \$8.08 per barrel

Real Estate Excise Tax:

State rate: 1.28% of selling price

Local rates: average local rate of 0.46%