

SALES TAXES

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If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

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If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

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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.

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>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 4,875	\$ 4,875	\$ 4,875	\$ 4,875
Local taxes	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

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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.

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.

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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.

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.

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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.

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.

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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.

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.

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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.

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 previous 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.

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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.

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.

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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.

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.

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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.

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.

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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.

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.

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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.

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.

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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.

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.

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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.

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.