

ESTIMATED IMPACT OF REVENUE ALTERNATIVES

State General Fund Impact (unless otherwise noted) - \$ in Millions

Assumes 12 month of cash receipts each fiscal year

Description of Alternative	<u>FY 2003*</u>	<u>FY 2004</u>	<u>FY 2005</u>
<u>Tax Rate Increases</u>			
# 1. State sales/use rate - 6.5% to 6.6%	93.8	101.0	105.0
# 2. B&O 10% surtax on all rates	207.9	223.6	242.5
# 3. B&O 25% surtax on all rates	519.8	558.9	606.4
# 4. B&O retailing - 0.471 to 0.484%	14.4	15.6	16.9
# 5. B&O retailing - 0.471 to 0.6%	142.6	154.6	167.5
# 6. B&O manuf./wholesaling - 0.484 to 0.6%	171.3	171.8	172.2
# 7. B&O service - 1.5 to 1.75%	117.4	131.6	147.4
# 8. B&O drug resellers rate - 0.138 to 0.484%	7.6	7.9	8.3
# 9. B&O insurance rate - 0.484 to 1.5%	12.7	13.8	14.9
#10. B&O fruit/veg. rate - 0.138 to 0.484%	6.1	6.3	6.5
#11. B&O travel agents rate - 0.275 to 1.5%	3.1	3.6	4.2
#12. B&O charter/freight brokers rate - 0.275 to 1.5%	13.5	15.6	18
#13. B&O stevedoring rate - 0.275 to 1.5%	4.2	4.8	5.6
#14. Public utility - 5% surtax on all rates	11.4	12.6	12.7
#15. Public utility - 10% surtax on all rates	22.7	25.1	25.5
#16. State property tax levy increased \$0.225	63.3	126.7	134.2
#17. Real estate excise - 1.28 to 1.6%	111.8	113	113.0
#18. PUT - increase all rates less than 3.852% to 3.852%	39.9	43.0	46.6
#19. Cigarette tax - increase from \$1.425 to \$1.50**	12.5	12.5	12.5
#20. Tobacco products tax - inc. from 129.42% to 140%**	2.7	2.8	3.0
<u>Sales Tax on Services</u>			
# 1. Extend sales tax to consumer services	333.8	348	362.8
# 2. Extend sales tax to business services	1,010.30	1,053.20	1,098.0
# 3. Extend sales tax to financial services	744.9	776.6	809.6
# 4. Extend sales tax to medical services	535.3	558.1	581.8
# 5. Extend sales tax to barber/beautician services	20.6	21.4	22.4
# 6. Extend sales tax to cable television	32.9	34.3	35.7
<u>New Taxes</u>			
# 1. State tax on all gambling activities	73.7	74.5	74.9
# 2. State tax on just social card rooms	30.3	31.1	31.5
# 3. State tax on just punchboard/pulltabs	43.4	43.4	43.4
# 4. Tax of 1.0% on prepared coffee drinks	1.4	1.6	1.7
# 5. Tax on soft drinks: 1 cent/12 ounces	29.8	33.5	35.1
# 6. Tax of 2% on sporting goods	28.5	29.6	29.6
# 7. Tax of 0.5% on prepared food/drinks, incl. King Co.	35.4	36.9	38.5
# 8. Tax of 0.5% on prepared food/drinks, ex. King Co.	20	20.9	21.8
# 9. Tax of 1% on admissions to sporting events	1.6	1.7	1.7
#10. Tax of 1% on admissions to movies & other events	3.9	4.2	4.5
#11. Use tax on services subj. to sales tax (mostly repair)	4.1	4.2	4.4
#12. Reimpose 1981 inheritance tax (ballpark est.)	\$500 - \$600 million per year		

#13. Tax on luxury vehicles; 10% for cars > \$50,000	29.0	30.0	32.0
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Eliminate or Restrict Exemptions

# 1. B&O deduction for Medicare/Medicaid***	49.9	50.9	51.9
# 2. Insurance premiums tax deduction for Medicare	18.5	20.8	21.3
# 3. B&O deduction for home 1st mortgages	34.4	34.6	34.8
# 4. B&O ex. for state-chartered credit unions	14.8	16.9	17.8
# 5. Aircraft fuel tax ex. for commercial aircraft	31.4	35.0	35.7
# 6. Sales tax ex. for residential telephone service	44.9	50.0	52.0
# 7. Sales tax ex. for coin-op telephone service	0.2	0.2	0.2
# 8. Sales tax ex. for fertilizer, chem. spray, etc.	44.0	49.4	50.9
# 9. Elim. sales tax ex. for phone services (e.g., caller ID)	14.0	14.4	14.8
#10. PUT deduction for resale sales (make tax pyramid)	22.0	22.0	22.0
#11. B&O credit for R&D expenditures	28.6	31.1	16.9
#12. B&O ex. for direct sellers (out-of-state manuf.)	5.5	5.6	5.7
#13. B&O ex. for agricultural production	27.8	28.3	28.9
#14. Insurance premiums tax ex. for fraternal societies	2.3	2.4	2.5
#15. Sales tax remittance for warehouse construction	3.2	3.4	3.6
#16. Sales tax ex. for motor vehicle fuel (at 6.5%)	320.0	327.0	335.0
#17. Sales tax ex. for newspapers	3.2	3.3	3.4
#18. B&O credit for help desk services	0.2	0.1	0.0
#19. Sales tax ex. for agricultural burning equip.	0.1	0.1	0.1
#20. B&O ex. for shared real estate commissions	5.1	5.3	5.6
#21. Sales tax ex. for manufacturing machinery	132.1	148.6	165.4
#22. Sales tax M&E ex.; limited to production equip.	42.3	47.5	52.9
#23. Sales tax ex. for trade-ins	110.0	116.0	118.5
#24. Sales tax ex. for off-premises food (temporary)	643.5	670.8	699.3
#25. Sales tax ex. for presc. drugs (temporary)	229.9	239.7	249.9
#26. B&O ex. for precious metals/bullion	0.2	0.2	0.2
#27. Advance termination of rural co. sales tax ex. two yrs.	12.9	16.0	0.0
#28. Rural co. sales tax ex. - "distressed" counties only	2.1	2.6	0.0
#29. B&O jobs credit, terminate 7/1/2002	5.9	3.1	0.0
#30. B&O jobs credit, restrict to "distressed" counties	1.0	0.5	0.0
#31. B&O jobs credit, limit 2001-03 impact to \$2.5 m.	2.4	1.9	0.0
#32. Suspend high tech sales tax ex. for R&D	48.8	56.1	0.0
#33. B&O ex. for fuel for commercial vessels	1.4	1.4	1.4
#34. B&O ex. for processed hops	0.6	0.6	0.6
#35. B&O ex. for international banking facilities	0.3	0.3	0.3
#36. Sales tax ex. for semen	0.3	0.3	0.3
#37. Sales tax credit for bad debts; limited to 1st vendor	51.1	52.4	53.6
#38. Sales tax ex. for candy & gum	14.4	14.4	14.4

Other Options (may need statutory amendment)

# 1. B&O tax at 1.5% on corporate directors fees	0.1	0.1	0.1
# 2. B&O tax R&D credit misuse	1.0	0.1	0.1
# 3. Use tax on delivery charges	20.3	20.3	20.3
# 4. Use tax on out-of-state printing	4.3	4.5	4.7
# 5. Elim. use tax exemption for demonstrator vehicles	0.1	0.1	0.1
# 6. B&O tax on casual sales	0.4	0.4	0.4
# 7. PUT on in-state portion of interstate transportation	21.4	23.7	24.1

# 8.	B&O tax on total dues charges	0.4	0.4	0.4
# 9.	Delay payment of interest on refunds to Jan. 1	0.8	0.8	0.8
#10.	State to collect real estate excise tax	41.3	5.1	5.2
#11.	Accelerate sales tax payments by EFT filers	168.8	6.6	6.8
#12.	Shift quarterly reporters to monthly	80.7	1.6	1.6
#13.	Interest rate for refunds = prime rate (eliminate +2%)	2.0	2.0	2.0

*In order to achieve 12 months of cash collections in FY 2003, the effective date of certain alternatives may need to be June 1, 2002.

**Net impact; existing funds would experience reductions.

***Revenues would accrue to health services account.

NOTE: this list provides preliminary revenue estimates for these tax options for the remainder of the 2001-03 biennium, as well as for the full 2003-05 biennium. The estimates are intended only to give an "order of magnitude" and may differ from subsequent fiscal note estimates.

Washington State Dept. of Revenue, Research Division, January 24, 2002.