

REVENUE Impact of Revenue Alternatives

November 2020 Forecast

Note: Estimates provided do not reflect a policy position by the Department and are solely to assist you in exploring revenue options.

Prepared by Research & Fiscal Analysis - January 2021

#	Description of Alternative	# of Impacted Taxpayers	Effective Date	State General Fund REVENUE Impact ¹ (\$ millions)								
				FY 2022 ²	FY 2023	2021-23 Biennium	FY 2024	FY 2025	2023-25 Biennium	FY 2026	FY 2027	2025-27 Biennium
RETAIL SALES/USE TAX - Rate Increase												
1	Increase state rate from 6.5% to 6.6%	215,000	10/1/2021	\$117.1	\$187.9	\$305.0	\$193.9	\$200.6	\$394.5	\$210.8	\$221.6	\$432.4
2	Increase state rate from 6.5% to 7.0%	215,000	10/1/2021	\$583.0	\$935.7	\$1,518.7	\$965.3	\$998.6	\$1,963.9	\$1,049.2	\$1,103.0	\$2,152.2
3	Increase state rate from 6.5% to 7.5%	215,000	10/1/2021	\$1,159.7	\$1,861.2	\$3,020.9	\$1,920.1	\$1,986.4	\$3,906.5	\$2,087.1	\$2,194.2	\$4,281.3
4	Increase state sales tax rate on prepared food from 6.5% to 7.5%	15,500	10/1/2021	\$84.5	\$131.4	\$215.9	\$135.6	\$140.3	\$275.9	\$147.4	\$155.0	\$302.4
RETAIL SALES/USE TAX - Tax Base Expansion (except services)												
5	Shift sewerage and refuse collection to retailing B&O tax and retail sales tax	400	7/1/2021	\$59.0	\$67.9	\$126.9	\$71.5	\$75.4	\$146.9	\$79.5	\$83.8	\$163.3
6	Repeal sales tax exemption for motor vehicle fuel	1,900	7/1/2021	\$610.2	\$691.7	\$1,301.9	\$701.9	\$724.6	\$1,426.5	\$765.5	\$809.4	\$1,574.9
7	Repeal warehouse-grain elevator-distribution center sales & use tax remittance	50	7/1/2021	\$7.4	\$8.1	\$15.5	\$8.1	\$8.1	\$16.2	\$8.1	\$8.1	\$16.2
8	Repeal sales tax exemption for food and food ingredients	93,500	7/1/2021	\$1,111.0	\$1,225.0	\$2,336.0	\$1,238.0	\$1,250.0	\$2,488.0	\$1,263.0	\$1,276.0	\$2,539.0
9	Repeal sales tax exemption for food products baked and sold onsite	5,000	7/1/2021	\$24.7	\$27.7	\$52.4	\$28.6	\$29.5	\$58.1	\$30.4	\$31.3	\$61.7
10	Require full sales tax on all vending machine items sold	200	7/1/2021	\$1.5	\$1.7	\$3.2	\$1.7	\$1.8	\$3.5	\$1.8	\$1.9	\$3.7
11	Repeal sales tax exemption for labor and services on public road construction	525	7/1/2021	\$8.5	\$21.5	\$30.0	\$32.7	\$44.4	\$77.1	\$45.0	\$45.6	\$90.6
12	Repeal sales and use tax exemptions for OTC drugs purchased with a prescription	1,900	7/1/2021	\$34.5	\$39.5	\$74.0	\$41.4	\$43.4	\$84.8	\$45.6	\$47.8	\$93.4
13	Repeal sales tax exemption for newspapers	16,300	7/1/2021	\$0.5	\$0.5	\$1.0	\$0.5	\$0.4	\$0.9	\$0.4	\$0.4	\$0.8
14	Narrow the retail sale exclusion for ingredients and components and add a primary purpose test	1,760	7/01/2021	\$50.8	\$58.3	\$109.1	\$60.4	\$61.1	\$121.5	\$61.9	\$62.6	\$124.5
15	Extend sales tax to admissions charges	47,000	10/1/2021	\$25.7	\$52.4	\$78.1	\$53.5	\$54.7	\$108.2	\$55.9	\$57.1	\$113.0
16	Repeal exemption for audio/video programming [RCW 82.08.0208(5)]	50	7/1/2021	\$57.3	\$60.0	\$117.3	\$57.6	\$55.2	\$112.8	\$53.1	\$50.9	\$104.0
17	Make the purchase of any gift card/gift certificate subject to sales tax, then exempt any purchase made with the card	100,000	7/1/2021	\$5.2	\$6.3	\$11.5	\$6.9	\$7.6	\$14.5	\$8.4	\$9.2	\$17.6
18	Accelerated Sales and Use Tax Payments - Option 1 - ATP by June 20 of the current year	5,600	7/1/2021	\$689.0	\$35.2	\$724.2	\$27.1	\$23.9	\$51.0	\$26.9	\$24.2	\$51.1
19	Impose retail sales tax on sales of gasoline at the rack	230	7/1/2021	\$262.5	\$314.7	\$577.2	\$321.9	\$331.6	\$653.5	\$348.4	\$370.7	\$719.1
Machinery and equipment (M&E) exemption:												
20	Repeal sales tax exemption for manufacturing machinery & equipment (M&E)	15,000	7/1/2021	\$338.3	\$388.0	\$726.3	\$401.7	\$405.6	\$807.3	\$411.6	\$416.6	\$828.2
21	Limit M&E exemption to machinery and equipment used exclusively for manufacturing	12,000	7/1/2021	\$26.4	\$30.2	\$56.6	\$31.3	\$31.7	\$63.0	\$32.1	\$32.5	\$64.6
Trade-in exclusion:												
22	Repeal trade-in exclusion for all products from sales tax - RCW 82.08.010(1)	1,200	7/1/2021	\$125.5	\$140.8	\$266.3	\$143.9	\$147.5	\$291.4	\$153.5	\$159.8	\$313.3
23	Trade-in exclusion - limit ALL trade-ins to \$10,000	1,200	7/1/2021	\$40.7	\$45.7	\$86.4	\$46.7	\$47.8	\$94.5	\$49.8	\$51.8	\$101.6
Farm consumables:												
24	Repeal exemption for replacement parts and repair services		7/1/2021	\$7.4	\$8.3	\$15.7	\$8.5	\$8.8	\$17.3	\$9.0	\$9.3	\$18.3
25	Repeal exemption for fertilizers, sprays, and washes sold to farmers - RCW 82.04.050(10)	12,000	7/1/2021	\$55.5	\$60.5	\$116.0	\$60.5	\$60.5	\$121.0	\$60.5	\$60.5	\$121.0
26	Repeal exemption for leased irrigation equipment	700	7/1/2021	\$2.4	\$2.7	\$5.1	\$2.7	\$2.8	\$5.5	\$2.9	\$3.0	\$5.9
27	Repeal exemption for diesel, biodiesel, and aircraft fuel for farm use		7/1/2021	\$18.0	\$21.1	\$39.1	\$20.3	\$20.5	\$40.8	\$20.7	\$20.9	\$41.6
28	Repeal exemption for propane for heating chicken barns	140	7/1/2021	\$0.2	\$0.2	\$0.4	\$0.2	\$0.2	\$0.4	\$0.2	\$0.2	\$0.4
29	Repeal exemption for farm equipment auction sales	1,200	7/1/2021	\$2.9	\$3.2	\$6.1	\$3.2	\$3.3	\$6.5	\$3.4	\$3.4	\$6.8
30	Limit exemption for fertilizers, sprays, or washes to approved organic products only		7/1/2021	\$44.4	\$48.4	\$92.8	\$48.4	\$48.4	\$96.8	\$48.4	\$48.4	\$96.8
31	Repeal exemption for chicken bedding materials	60	7/1/2021	\$0.4	\$0.5	\$0.9	\$0.5	\$0.5	\$1.0	\$0.5	\$0.5	\$1.0

REVENUE Impact of Revenue Alternatives

November 2020 Forecast

Note: Estimates provided do not reflect a policy position by the Department and are solely to assist you in exploring revenue options.

Prepared by Research & Fiscal Analysis - January 2021

#	Description of Alternative	# of Impacted Taxpayers	Effective Date	State General Fund REVENUE Impact ¹ (\$ millions)								
				FY 2022 ²	FY 2023	2021-23 Biennium	FY 2024	FY 2025	2023-25 Biennium	FY 2026	FY 2027	2025-27 Biennium
RETAIL SALES/USE TAX - Extend retail sales tax to services												
32	Extend retail sales tax to all services	174,000	7/1/2021	\$3,990.3	\$4,980.8	\$8,971.1	\$5,347.9	\$5,598.1	\$10,946.0	\$5,663.8	\$5,730.4	\$11,394.2
33	Extend retail sales tax to custom software	10,300	7/1/2021	\$70.6	\$85.8	\$156.4	\$89.8	\$94.0	\$183.8	\$95.1	\$96.2	\$191.3
34	Extend retail sales tax to construction and property management services	6,500	7/1/2021	\$11.5	\$14.0	\$25.5	\$14.7	\$15.4	\$30.1	\$15.5	\$15.7	\$31.2
35	Extend retail sales tax to temporary staffing services	1,350	7/1/2021	\$103.5	\$119.7	\$223.2	\$125.8	\$131.6	\$257.4	\$137.7	\$139.3	\$277.0
36	Extend retail sales tax to janitorial services	17,000	7/1/2021	\$39.5	\$48.0	\$87.5	\$50.2	\$52.6	\$102.8	\$53.2	\$53.8	\$107.0
37	Eliminate "business purpose" exemption for digital goods	100	7/1/2021	\$1.0	\$1.2	\$2.2	\$1.2	\$1.3	\$2.5	\$1.3	\$1.4	\$2.7
BUSINESS & OCCUPATION TAX - Rate Increases												
Increase B&O tax rate:												
38	Increase retailing B&O tax from 0.471% to 0.484% - RCW 82.04.250(1)	200,000	7/1/2021	\$27.0	\$31.0	\$58.0	\$33.0	\$34.0	\$67.0	\$36.0	\$37.0	\$73.0
39	Increase manufacturing rate for petroleum fuels to 1%	5	10/1/2021	\$53.0	\$60.0	\$113.0	\$62.0	\$65.0	\$127.0	\$71.0	\$76.0	\$147.0
Preferential B&O Tax Rates:												
40	Eliminate all preferential B&O tax rates, excluding radioactive waste clean-up	10,000	10/1/2021	\$127.0	\$200.0	\$327.0	\$208.0	\$213.0	\$421.0	\$224.0	\$232.0	\$456.0
41	Reduce benefit of preferential B&O tax rates by 25%, excluding radioactive waste clean-up	10,000	10/1/2021	\$32.0	\$50.0	\$82.0	\$52.0	\$54.0	\$106.0	\$56.0	\$58.0	\$114.0
42	Repeal preferential B&O tax rate for meat processors	250	10/1/2021	\$15.5	\$24.1	\$39.6	\$24.9	\$25.8	\$50.7	\$26.7	\$27.7	\$54.4
43	Repeal preferential B&O tax rate for international investment management services	10	10/1/2021	\$0.5	\$0.7	\$1.2	\$0.7	\$0.8	\$1.5	\$0.8	\$0.8	\$1.6
44	Repeal preferential rate for prescription drug wholesalers	26	10/1/2021	\$15.5	\$23.3	\$38.8	\$23.3	\$23.3	\$46.6	\$23.3	\$23.3	\$46.6
BUSINESS & OCCUPATION TAX - Tax Base Expansion												
45	Repeal deduction for federal and state tax on motor fuel	1,900	7/1/2021	\$13.2	\$15.0	\$28.2	\$15.2	\$15.7	\$30.9	\$16.5	\$17.5	\$34.0
46	Repeal exemption for shared real estate commissions - RCW 82.04.255	13,400	7/1/2021	\$52.3	\$56.9	\$109.2	\$54.7	\$55.5	\$110.2	\$56.5	\$57.5	\$114.0
47	Repeal deduction for membership fees and dues - RCW 82.04.4282	120	7/1/2021	\$1.4	\$1.6	\$3.0	\$1.6	\$1.7	\$3.3	\$1.8	\$1.8	\$3.6
48	Repeal B&O tax deduction for first mortgage interest	655	7/1/2021	\$120.9	\$138.5	\$259.4	\$144.9	\$151.7	\$296.6	\$157.7	\$166.2	\$323.9
49	Limit B&O tax deduction for tuition fees to non-profit educational institutions	1,000	7/1/2021	\$1.0	\$1.1	\$2.1	\$1.1	\$1.2	\$2.3	\$1.2	\$1.2	\$2.4
50	Repeal B&O tax exemption for state-chartered credit unions	55	7/1/2021	\$0.1	\$0.1	\$0.2	\$0.1	\$0.2	\$0.3	\$0.4	\$0.5	\$0.9
51	Impose service B&O tax on gross income from long-term real estate rentals		7/1/2021	\$14.5	\$33.7	\$48.2	\$53.7	\$76.1	\$129.8	\$80.9	\$86.5	\$167.4
52	Repeal B&O tax exemption for cities that share sewer services	100	7/1/2021	\$1.7	\$1.9	\$3.6	\$2.0	\$2.1	\$4.1	\$2.2	\$2.2	\$4.4
53	Close B&O tax loophole that allows out-of-state printers to sell into WA without paying B&O tax	1,500	7/1/2021	\$2.0	\$3.3	\$5.3	\$4.4	\$4.4	\$8.8	\$4.5	\$4.5	\$9.0
54	Overturn the <i>Agrilink</i> decision & similarly limit the B&O tax exemption for processing seafood, fresh fruits and vegetables	300	7/1/2021	\$20.7	\$23.7	\$44.4	\$24.5	\$24.8	\$49.3	\$25.6	\$26.4	\$52.0
55	Close the nonresident manufacturer loophole	1,200	7/1/2021	\$1.8	\$4.0	\$5.8	\$6.1	\$7.9	\$14.0	\$8.0	\$8.1	\$16.1
56	Close the affiliating buying entity loophole for manufacturers	500	7/1/2021	\$3.7	\$5.2	\$8.9	\$6.4	\$7.5	\$13.9	\$7.6	\$7.7	\$15.3
57	Narrow the first mortgage interest deduction so that internet banks do not qualify	220	7/1/2021	\$116.7	\$133.7	\$250.4	\$139.9	\$146.4	\$286.3	\$153.3	\$160.4	\$313.7
58	Eliminate B&O tax deductions for investment conduits, securitization entities, and affiliated transactions of financial institutions	30	7/1/2021	\$12.4	\$14.2	\$26.6	\$14.8	\$15.6	\$30.4	\$16.3	\$17.0	\$33.3
59	Impose 1.2% surcharge on all financial institutions, with an exemption for credit unions and small banks	1,800	7/1/2021	\$104.0	\$119.0	\$223.0	\$124.0	\$130.0	\$254.0	\$136.0	\$142.0	\$278.0
60	Eliminate B&O deduction between municipalities for sewer service fees (not taxed at all currently) [RCW 82.04.432]	20	7/1/2021	\$1.5	\$1.8	\$3.3	\$1.9	\$2.0	\$3.9	\$2.1	\$2.1	\$4.2
61	Broad windfall profits tax	600	7/1/2021	\$1,129.0	\$1,297.0	\$2,426.0	\$1,352.0	\$1,407.0	\$2,759.0	\$1,465.0	\$1,525.0	\$2,990.0
62	Digital advertising tax (Maryland)	1,300	7/1/2021	\$14.0	\$16.0	\$30.0	\$17.0	\$111.0	\$128.0	\$130.0	\$141.0	\$271.0
63	Digital advertising tax – select advanced computing businesses	150	7/1/2021	\$8.0	\$9.0	\$17.0	\$10.0	\$63.0	\$73.0	\$75.0	\$83.0	\$158.0

REVENUE Impact of Revenue Alternatives

November 2020 Forecast

Note: Estimates provided do not reflect a policy position by the Department and are solely to assist you in exploring revenue options.

Prepared by Research & Fiscal Analysis - January 2021

#	Description of Alternative	# of Impacted Taxpayers	Effective Date	State General Fund REVENUE Impact ¹ (\$ millions)								
				FY 2022 ²	FY 2023	2021-23 Biennium	FY 2024	FY 2025	2023-25 Biennium	FY 2026	FY 2027	2025-27 Biennium
64	Tax on Digital Advertising – Eliminating DAS Exclusion	1,300	7/1/2021	\$19.0	\$22.0	\$41.0	\$23.0	\$146.0	\$169.0	\$172.0	\$192.0	\$364.0
65	Tax on Digital Advertising – Digital Advertising Profiles	1,300	7/1/2021	\$2.0	\$2.0	\$4.0	\$2.0	\$12.0	\$14.0	\$14.0	\$16.0	\$30.0
B&O Tax Exemption for Farmers:												
66	Repeal B&O tax exemption for all farmers	36,000	7/1/2021	\$46.7	\$52.5	\$99.2	\$54.1	\$55.7	\$109.8	\$57.4	\$55.1	\$112.5
67	Repeal B&O tax exemption for farmers whose annual gross income exceeds \$200,000	4,000	7/1/2021	\$44.7	\$50.2	\$94.9	\$51.7	\$53.2	\$104.9	\$54.8	\$56.5	\$111.3
OTHER TAXES												
Cigarette Tax:												
68	Increase cigarette tax by 25 cents per pack	4,000	1/1/2022	\$4.5	\$10.5	\$15.0	\$10.3	\$10.4	\$20.7	\$10.3	\$10.4	\$20.7
69	Increase cigarette tax by 50 cents per pack	4,000	1/1/2022	\$8.2	\$19.5	\$27.7	\$19.1	\$19.2	\$38.3	\$19.4	\$19.4	\$38.8
70	Increase cigarette tax by 75 cents per pack	4,000	1/1/2022	\$11.4	\$27.0	\$38.4	\$26.7	\$27.0	\$53.7	\$27.1	\$27.3	\$54.4
71	Increase cigarette tax by \$1.00 per pack	4,000	1/1/2022	\$14.0	\$33.5	\$47.5	\$33.1	\$33.4	\$66.5	\$33.7	\$34.1	\$67.8
Estate Tax:												
72	Increase graduated estate tax rate ³	1,000	7/1/2021	\$35.5	\$151.7	\$187.2	\$160.0	\$169.3	\$329.3	\$172.2	\$174.5	\$346.7
Leasehold Excise Tax:												
73	Narrow the exemption for low-dollar leases [RCW 82.29A.130(8)]	Unknown	7/1/2021	\$0.9	\$1.9	\$2.8	\$2.0	\$2.1	\$4.1	\$2.2	\$2.3	\$4.5
74	Eliminate the exemption for state-assessed companies [RCW 82.29A.130(1)]	Unknown	7/1/2021	\$6.6	\$13.8	\$20.4	\$14.3	\$14.9	\$29.2	\$15.6	\$16.2	\$31.8
Oil Spill Tax:												
75	Oil spill tax - from 5 cents per barrel to 10 cents per barrel	26	10/1/2021	\$3.9	\$6.5	\$10.4	\$6.5	\$6.5	\$13.0	\$6.5	\$6.5	\$13.0
Petroleum Products Tax:												
76	Repeal the suspension threshold for the petroleum products tax and make the tax permanent	124	7/1/2021	\$0.0	\$0.0	\$0.0	\$0.0	\$13.5	\$13.5	\$1.7	\$0.0	\$1.7
Property Tax:												
77	Repeal or narrow the exemption on intangibles	Unknown	7/1/2021	\$17.6	\$33.2	\$50.8	\$33.6	\$34.0	\$67.6	\$34.3	\$34.7	\$69.0
Public Utility Tax:												
78	5% surtax on all PUT rates	12,100	7/1/2021	\$22.3	\$25.3	\$47.6	\$26.2	\$27.0	\$53.2	\$27.9	\$28.9	\$56.8
79	10% surtax on all PUT rates	12,100	7/1/2021	\$44.6	\$50.5	\$95.1	\$52.3	\$54.0	\$106.3	\$55.8	\$57.7	\$113.5
80	25% surtax on all PUT rates	12,100	7/1/2021	\$111.5	\$126.4	\$237.9	\$130.8	\$135.1	\$265.9	\$139.6	\$144.3	\$283.9
81	PUT on motor/urban transportation and log hauling - increase to 3.852%	8,000	10/1/2021	\$49.4	\$76.9	\$126.3	\$77.7	\$79.1	\$156.8	\$80.5	\$82.0	\$162.5
82	PUT on urban transportation and vessels - increase to 1.926%	4,000	7/1/2021	\$10.3	\$11.5	\$21.8	\$11.6	\$11.8	\$23.4	\$11.9	\$12.1	\$24.0
83	Repeal PUT deduction for in-state portion of interstate transportation		7/1/2021	\$29.9	\$33.7	\$63.6	\$34.7	\$35.7	\$70.4	\$36.9	\$38.1	\$75.0
84	Impose PUT on cable and satellite TV at 6% rate with a tax credit for franchise fees paid		10/1/2021	\$20.5	\$30.7	\$51.2	\$30.7	\$30.7	\$61.4	\$30.7	\$30.7	\$61.4
85	Repeal PUT deduction for sales of irrigation water	95	7/1/2021	\$1.9	\$2.1	\$4.0	\$2.2	\$2.3	\$4.5	\$2.4	\$2.5	\$4.9
86	Expand PUT to the ancillary service B&O income of public service businesses	200	7/1/2021	\$6.0	\$6.8	\$12.8	\$7.0	\$7.3	\$14.3	\$7.5	\$7.8	\$15.3
Syrup Tax:												
87	Repeal B&O credit for Syrup Tax - RCW 82.04.4486	2,050	7/1/2021	\$3.9	\$4.2	\$8.1	\$4.2	\$4.2	\$8.4	\$4.2	\$4.3	\$8.5
88	Repeal B&O credit for Syrup Tax AND Increase Syrup Tax from \$1 to \$2	2,200	10/1/2021	\$6.9	\$10.2	\$17.1	\$10.0	\$9.9	\$19.9	\$9.7	\$9.7	\$19.4

REVENUE Impact of Revenue Alternatives

November 2020 Forecast

Note: Estimates provided do not reflect a policy position by the Department and are solely to assist you in exploring revenue options.

Prepared by Research & Fiscal Analysis - January 2021

#	Description of Alternative	# of Impacted Taxpayers	Effective Date	State General Fund REVENUE Impact ¹ (\$ millions)								
				FY 2022 ²	FY 2023	2021-23 Biennium	FY 2024	FY 2025	2023-25 Biennium	FY 2026	FY 2027	2025-27 Biennium
NEW TAXES												
Payroll Expense Tax:												
89	Payroll Expense Tax	4,000	1/1/2023	\$0.0	\$133.0	\$133.0	\$547.0	\$600.0	\$1,147.0	\$633.0	\$667.0	\$1,300.0
90	Graduated Payroll Expense Tax	3,000	1/1/2023	\$0.0	\$246.0	\$246.0	\$1,010.0	\$1,100.0	\$2,110.0	\$1,148.0	\$1,179.0	\$2,327.0
91	Employment Tax (flat tax per employee for certain businesses)	12,300	7/1/2022	\$0.0	\$580.0	\$580.0	\$638.9	\$645.7	\$1,284.6	\$652.7	\$659.7	\$1,312.4
Luxury Tax with Deductions:												
92	10% luxury tax on non-commercial motor vehicles - \$50,000 deduction	1,800	10/1/2021	\$52.0	\$77.7	\$129.7	\$78.0	\$77.5	\$155.5	\$77.1	\$76.6	\$153.7
93	10% luxury tax on non-commercial vessels - \$50,000 deduction	235	10/1/2021	\$24.0	\$37.5	\$61.5	\$39.2	\$41.0	\$80.2	\$42.8	\$44.7	\$87.5
94	10% luxury tax on non-commercial aircraft - \$50,000 deduction	20	10/1/2021	\$3.8	\$5.9	\$9.7	\$6.0	\$6.1	\$12.1	\$6.2	\$6.3	\$12.5

REV ALTS NOTES

¹ Revenues represent state general fund impacts only, unless otherwise noted.

² Estimates assume the earliest possible effective date, assuming passage by April 30, 2021. Some proposals will take 12 - 18 months to implement and may result in no revenue impacts in Fiscal Year 2022.

³ Estate tax is deposited in the Education Legacy Account.