

SALES TAXES

SALES/USE TAX EXEMPTIONS - PUBLIC ACTIVITIES

82.04.050(7) 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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 74,894	\$ 79,349	\$ 84,102	\$ 89,174
Local taxes	\$ 18,435	\$ 19,532	\$ 20,702	\$ 21,951

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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 govt. builds few roads) which could be taxed.

82.04.050(9) 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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 27,255	\$ 29,217	\$ 30,483	\$ 31,831
Local taxes	\$ 7,967	\$ 8,540	\$ 8,911	\$ 9,304

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.

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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 agencies.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 22	\$ 22	\$ 22	\$ 22
Local taxes	\$ 6	\$ 6	\$ 6	\$ 6

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

82.08.0255(1, b) FUEL FOR URBAN TRANSIT
82.12.0256(3, a)

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.

Purpose: To reduce the cost of providing public transit and encourage the use of these systems by riders.

Category/Year Enacted: Government. 1980

Primary Beneficiaries: Public transportation systems and their customers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,317	\$ 1,338	\$ 1,397	\$ 1,466
Local taxes	\$ 385	\$ 391	\$ 408	\$ 429

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

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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.

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.

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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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</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.

82.08.0275 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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,503	\$ 1,586	\$ 1,675	\$ 1,768
Local taxes	\$ 439	\$ 464	\$ 490	\$ 517

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?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

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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.

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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 5,302	\$ 5,302	\$ 5,986	\$ 5,986
Local taxes	\$ 1,550	\$ 1,550	\$ 1,750	\$ 1,750

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

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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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 401	\$ 441	\$ 485	\$ 534
Local taxes	\$ 117	\$ 129	\$ 142	\$ 156

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

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 the stadium/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 it operates.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 286	\$ 286	\$ 286	\$ 286
Local taxes	\$ 84	\$ 84	\$ 84	\$ 84

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

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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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 65	\$ 67	\$ 69	\$ 71
Local taxes	\$ 19	\$ 20	\$ 20	\$ 21

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

82.08.0299 LODGING FOR THE HOMELESS

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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 7	\$ 7	\$ 7	\$ 7
Local taxes	\$ 6	\$ 6	\$ 6	\$ 6

*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.

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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 result in increased tax revenue for both the state and the tribes.

Category/Year Enacted: Government. 2001

Primary Beneficiaries: State, local and tribal governments.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Indeterminate.

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 personal property by the RTA. It is anticipated that this procedure will be used to acquire the rolling stock for the high capacity transit system, currently being developed by Sound Transit. Under this arrangement, the personal property is leased by Sound Transit to an institutional equity investor which will, in turn, lease the equipment back to Sound Transit. The principal benefit to the investor is that it may depreciate the property for federal income tax purposes (which Sound Transit could not do). For Sound Transit the major benefit is that there should be a difference between the two leases, resulting principally from the timing of the payments, which will yield an up-front net benefit of about 6-8 percent of the cost of the equipment.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and the institutional investor.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Ordinarily, lease payments for tangible personal property would be subject to sales tax but the original purchase by the lessor would be exempt as a sale for resale. In this case, the original purchase was subject to sales or use tax. The sale/leaseback merely represents a financing mechanism and does not impact the actual use of the items. Further, since there is only one investor involved in these transactions, the amount of lease payments which would otherwise be subject to retail sales/use tax cannot be disclosed for confidentiality reasons.

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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 Dept. of Licensing and DOL contractors who provide motorcycle training.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</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.

82.12.02545 NAVAL AIRCRAFT TRAINING EQUIPMENT

Description: Exemption from use tax is provided for military aircraft training equipment that is transferred to Washington State as a result of the Federal Base Closure Act (P.L. 101-510). The exemption is restricted to equipment transfers pursuant to this specific law and all such transfers have now taken place. Thus, the statute has no further purpose.

Purpose: To encourage the installation of flight-training equipment at bases in this state.

Category/Year Enacted: Government. 1995

Primary Beneficiaries: The Whidbey Island Naval Air Station.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; the exemption was applicable during fiscal year 1997.

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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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 441	\$ 450	\$ 461	\$ 470
Local taxes	\$ 129	\$ 132	\$ 135	\$ 138

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

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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 93	\$ 96	\$ 99	\$ 102
Local taxes	\$ 27	\$ 28	\$ 29	\$ 30

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

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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 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 100	\$ 103	\$ 106	\$ 110
Local taxes	\$ 29	\$ 30	\$ 31	\$ 32

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