

COMPARATIVE STATE/LOCAL TAXES

Fiscal Year 2004

WASHINGTON STATE DEPARTMENT OF REVENUE
Cindi L. Holmstrom, Director

Research Division
Mary Welsh, Assistant Director

Compiled by:
Don Taylor, Revenue Analysis Manager

June, 2006

Tables and Charts

Page

Introduction..... 1

Taxes Per \$1,000 Personal Income

Table 1. State and Local Taxes, All States, 2000-2004 5
Table 2. State and Local Taxes, 13 Western States, 2004 6
Table 3. Washington State, Local and Total Taxes, Past 10 Years 7
Table 4. Property Taxes, All States, 2002-2004 8
Table 5. Per Capita Personal Income, All States, CY 2003-2005 9
Chart 1. State and Local Taxes, Washington & U.S. Since 1960..... 10

Taxes Per Capita

Table 6. State and Local Taxes, All States, 2002-2004 11
Table 7. State and Local Taxes, 13 Western States, 2004 12
Table 8. Washington State, Local and Total Taxes, Past 10 Years 13
Table 9. Property Taxes, All States, 2002-2004 14
Table 10. Sales Tax Collections, All States, 2004..... 15
Chart 2. State and Local Taxes, Washington and U.S. Since 1960 16

Other Interstate and Historical Tax Comparisons

Table 11. State vs. Local Tax Collections, Selected States, 2004 17
Table 12. Percentage Reliance on Major State and Local Taxes, 2004 18
Table 13. Utilization of Retail Sales and Income Taxes, 2006..... 19
Table 14. Rate of Major Taxes in All States, January 2006 20
Table 15. Comparison of State/Local Retail Sales Taxes 22
Table 16. Comparison of Major Business Taxes..... 23
Table 17. Comparison of State Cigarette and Gasoline Tax Rates..... 24
Chart 3. Historical Summary of Washington Taxes..... 25

INTRODUCTION

There is considerable interest by taxpayers and government officials in Washington's relative tax position among the states. In order to properly compare tax burdens, uniform and reliable data must be utilized. The best source of comparative tax information for all state and local governments is compiled annually by the Census Bureau of the U.S. Department of Commerce. The figures covering fiscal year 2003-04 were posted to the Census Bureau website in late May of 2006. The specific data appear under the field of Government, the category of Finance and subcategory of State and Local Government Finances.

NOTE: the Census Bureau did not conduct its usual annual survey of government finances for fiscal years 2000-01 or 2002-03. Although state tax collection figures were compiled, there was no estimate for local government taxes. Therefore, this report resumes its annual series after publishing only the fiscal year 2002 edition during the last three years. It should be further noted that this is the first year that "Comparative Taxes" will be available only on-line.

For fiscal year 2004, tax collections in Washington State amounted to \$21.4 billion (\$21,424,928,000). This figure includes all state and local taxes, according to the definitions used by the Census Bureau. Nationally, total state and local taxes for all states exceeded \$1 trillion for the first time (\$1,010,277.3 million).

Taxes are defined to include compulsory payments which are not related to particular governmental services; that is, tax liability is independent from the benefit taxpayers receive from government operations. Instead, taxes are determined by other measures such as income, purchases and property values. However, license fees are included by the Bureau in the tax collection data, even though these receipts are associated with specific rights or privileges. Tax revenues are the source of funding for general programs over which legislatures typically have the most discretion in terms of spending, since nontax revenue sources are often dedicated to specific programs.

Examples of revenues excluded from the tax category are sales of commodities and services directly benefiting individuals (e.g., utility charges, tuitions and fees). Also, enterprise revenues from liquor sales and utility operations are omitted. Required payments for unemployment and workmen's compensation programs are other significant exclusions. These are not considered general tax revenues because they are earmarked to provide assistance to employees who are laid off from work or injured while on the job.

There are several ways in which tax burdens may be measured. Each approach has its own merits and is suited to a particular purpose. The two primary methods used in this report are the amount of taxes in relation to population and personal income.

PER CAPITA TAXES

A first step often taken in measuring relative tax burdens is to divide total state and local tax collections for each state by its population (using the July 1, 2004 Census Bureau population estimates for each state). This results in a state and local tax amount of \$3,452 for each Washington

resident and gives Washington a ranking among the 50 states of 18th for FY 2004 (Table 6). Washington per capita taxes are barely above the national average of \$3,447. Chart 2 portrays the change in per capita state and local taxes since 1960 for Washington and the average for all states.

A per capita tax comparison is far from complete, however, because differences in the level of income among the states greatly influence their capability to finance the cost of government services. Furthermore, the per capita approach assumes that all citizens are identical for purposes of computing the "average" tax burden. In addition to income, many other factors including age, family size, and consumption preferences for housing and other taxable items are significant in determining the tax burden for any particular individual or family. Also, tax collections include taxes initially paid by businesses, so the per capita amount does not correspond to what the "average" individual would pay in direct state and local taxes.

TAXES PER \$1,000 PERSONAL INCOME

For another measure of tax burden, one which considers the relative ability of states to finance the cost of government, the total state and local taxes may be divided by total state personal income - a statistic representing the "wealth" of all residents living in each state. (This calculation utilizes the Bureau of Economic Analysis estimate of calendar year 2003 personal income for each state). This computation produces a fiscal year 2004 Washington state and local tax burden of \$106.27 for each \$1,000 of personal income (Table 1). Stated another way, Washington state and local taxes equaled about 10.6 percent of personal income in fiscal year 2004. By this measure Washington ranks 29th in the nation and 10th among the 13 western states. Washington's average tax burden is more than \$4.00 per \$1,000 below the national average. The reason that Washington ranks higher in per capita taxes than for taxes in relationship to personal income is that Washington enjoys relative high per capita personal income (see Table 5).

Washington's tax burden amount has increased since it was last calculated two years earlier (up from \$100.90 in fiscal year 2002), and the state's ranking has also increased from 32nd to 29th place. Chart 1 illustrates the change in state and local taxes per \$1,000 of personal income since 1960 for Washington and the national average. Part of the reason for the higher tax burden and increased ranking can be attributable to a slightly slower growth rate in personal income. For the 2002 tax calculation, Washington's per capita personal income ranked 12th in the nation. For the latest calculation, this state's per capita personal income dropped to 14th. Income remains relatively high in this state, but two additional states were ranked higher in the 2003 income data. Further, preliminary data for 2005 indicates that Washington's ranking in per capita personal income will drop to 17th place (Table 5). This will likely result in a further increase in the tax burden amount.

STATE TAXES VS. LOCAL TAXES

Both of the above tax comparison methods include state and local government taxes, since most taxpayers are concerned with their total tax burden. (Federal taxes are assumed to apply uniformly throughout the country and, therefore, are not significant in explaining differences in tax burden among the states.) Another comparison that is sometimes made is to look at only state or local taxes.

Washington has traditionally ranked high in state taxes but low in local taxes. For fiscal year 2004 Washington state taxes per \$1,000 of income are ranked 21st, while Washington local taxes are ranked 33rd (Table 3). On the per capita basis, Washington state taxes are ranked 13th and local taxes are in 28th place (Table 8).

The explanation for these differences is provided in Table 11 which indicates that nearly two-thirds of Washington's state and local tax dollar is collected at the state level while barely one-third is attributable to local taxes. This is in contrast to many other states in which the relative share of state and local taxes is more evenly balanced. In fact, in four states local tax collections exceed the amount received by the state. Washington collects a greater share of total state and local taxes at the state level for several reasons: limitations have been placed upon the revenue producing ability of the local property tax; Washington funds public education and certain other programs to a larger degree by state tax sources than many states; and local taxing authority is controlled by state law and new local tax sources must be authorized by the Legislature.

ANALYSIS OF TAX BURDEN

Both the per capita and the personal income approach are based on total state and local tax collections obtained by survey of governmental jurisdictions by the Census Bureau. Taxes include amounts paid by individuals as well as business, but there is no accurate way of classifying tax burdens by type of taxpayer for most tax sources. For example, in Washington it is estimated that households pay about 60 percent of total sales tax collections, with the remainder paid by businesses (supplies, nonmanufacturing machinery, construction, etc.), government and tourists. But the exact amounts are not known because vendors do not record the type of purchaser who pays the tax. Similarly, the actual burden of the property tax and other major taxes by taxpayer type is not precisely known in this or other states.

Further, the initial tax burdens may be shifted to other entities. Business taxes are particularly susceptible to shifting, either forward to consumers (increased prices) or backward to owners (reduced earnings) and workers (lower wages). Tax burdens may also be shifted to persons in other states. For example, Alaska typically has a very high tax burden due to its petroleum tax revenues. However, consumers in many other states pay a portion of this tax, which is included in the price of oil delivered via Alaska's pipeline. Unfortunately, there is no adequate way of estimating such shifts of tax burden. Some studies attempt to do so, but they require significant resources to model tax impacts, and the results are no better than the underlying assumptions.

Many state and local taxes in Washington are based on consumption expenditures. Thus, revenues are dependent upon price changes, and inflation can have a direct influence upon collections. Population growth is also a major factor, but the rate of increase in tax collections typically exceeds the rate of population growth. Therefore, per capita taxes usually increase from year to year, and fiscal year 2004 was no exception.

Two factors influence the tax burden calculation in relation to income: the amount of state/local tax collections and the rate of growth in state personal income. Often the income statistic, which is the denominator of the calculation, is a more significant variable than the tax figure which

tends to fluctuate less dramatically. As note above, the state's tax burden ranking is dependent upon not only changes in Washington, but also in the other states.

In the 1960s, state and local tax burdens of about \$115 per \$1,000 of personal income were typical for Washington, and the state usually ranked about 18th among all states. The economic downturn, which occurred around 1970, caused some reduction in the growth rate of tax collections. However, the fall-off in personal income was even greater. The relatively smaller income caused the tax burden calculation to rise to as high as \$128 in 1972 and 1973. Rankings ranged from as high as 17th to as low as 25th during this period.

Later in the 1970s, growth in consumer expenditures exceeded the rate of income growth, due to strong demand for housing and durable goods. Such purchases are often financed from savings or by borrowing rather than current income; thus short-term tax elasticity was very high. The result was a very high tax burden, reaching \$127 in 1978.

A dramatic change in the national economy occurred in 1979-80 due to soaring interest rates, credit controls and reduced demand for autos and housing. The resulting recession in Washington caused the state economy to bottom out in 1981-82. The percentage of personal income devoted to taxable retail purchases (a major driver of Washington tax revenues) dropped from over 70 percent to less than 60 percent in only two years. Also contributing to the reduction in Washington tax revenues was the exemption of food from sales tax, limitation of local special school levies, extension of the 106 percent limit on property taxes to the state levy, and repeal of the state's inheritance tax. Somewhat ironically, personal income remained rather high during most of this period, and Washington ranked from 8th - 10th in per capita personal income throughout the recession years. The high level of income, coupled with the reduced tax collections produced a precipitous drop in the tax burden for this state to \$100 in 1981, along with the lowest-ever ranking of 39th.

Later in the 1980s Washington's tax burden returned to the level of about \$115 and rankings of about 16th were common. During the early 1990s the tax burden rose, and for several years the tax burden ranged between \$121 and \$123. Rankings were as high as 9th-11th. A major factor was the package of state tax increases enacted in 1993 which amounted to a biennial increase in state revenues of \$650 million. Also influencing high tax collections during the 1990s was a very high rate of population growth for the state. New residents typically purchase appliances and other durable goods to furnish new homes. This causes an increase in tax elasticity and a short-term increase in revenues which can exceed the growth rate in income.

Washington's tax burden by the income measure declined steadily from \$123.00 in 1995 to \$100.90 in 2002, and the state's ranking dropped from 11th to 32nd. The FY 2002 tax burden was by far the lowest level since the recession year of 1981. The 2004 tax burden figure and the state's ranking are up somewhat from the low in 2002 but remain well below the levels of a decade ago. The decline in Washington's tax burden over the past decade is largely due to elimination of the motor vehicle excise tax, the rollback of 1993 B&O tax increases, the sales tax exemption of manufacturing machinery, reductions in the state property tax rate, and a myriad of new tax incentives and other exemptions enacted in recent legislative sessions.

**Table 1. State and Local Tax Collections Per \$1,000 Personal Income
Fiscal Years 2000 - 2004**

State	Amount					Rank				
	2000	2001*	2002	2003*	2004	2000	2001*	2002	2003*	2004
New York	\$141.18	NA	\$130.79	NA	\$146.76	1	NA	1	NA	1
Wyoming	117.74	NA	121.97	NA	138.58	14	NA	3	NA	2
Maine	138.64	NA	130.16	NA	133.65	2	NA	2	NA	3
Hawaii	126.45	NA	120.62	NA	126.25	6	NA	4	NA	4
Vermont	121.53	NA	110.60	NA	122.50	8	NA	12	NA	5
Wisconsin	129.44	NA	117.26	NA	121.83	4	NA	5	NA	6
Rhode Island	118.11	NA	113.63	NA	120.35	13	NA	6	NA	7
Nebraska	109.44	NA	107.71	NA	118.04	29	NA	14	NA	8
New Mexico	126.74	NA	111.45	NA	116.38	5	NA	9	NA	9
Connecticut	120.23	NA	103.56	NA	115.71	10	NA	27	NA	10
New Jersey	113.46	NA	104.20	NA	115.55	19	NA	21	NA	11
Ohio	112.90	NA	110.96	NA	114.34	20	NA	11	NA	12
Kansas	108.72	NA	103.66	NA	114.23	31	NA	26	NA	13
California	120.39	NA	106.01	NA	113.06	9	NA	17	NA	14
Louisiana	109.57	NA	111.26	NA	112.44	28	NA	10	NA	15
Minnesota	123.87	NA	113.14	NA	112.02	7	NA	7	NA	16
West Virginia	116.33	NA	111.68	NA	111.93	15	NA	8	NA	17
Nevada	104.59	NA	101.20	NA	111.33	41	NA	30	NA	18
Alaska	132.18	NA	102.76	NA	110.93	3	NA	28	NA	19
Idaho	115.43	NA	99.84	NA	109.82	17	NA	36	NA	20
Utah	119.50	NA	108.39	NA	109.81	11	NA	13	NA	21
Pennsylvania	106.56	NA	100.91	NA	108.75	36	NA	31	NA	22
Arizona	111.73	NA	104.47	NA	108.64	21	NA	19	NA	23
Delaware	115.69	NA	107.24	NA	108.41	16	NA	15	NA	24
Maryland	110.01	NA	104.42	NA	108.25	27	NA	20	NA	25
Iowa	111.09	NA	103.85	NA	107.30	23	NA	24	NA	26
Kentucky	111.62	NA	106.22	NA	107.27	22	NA	16	NA	27
North Carolina	106.60	NA	100.17	NA	106.60	35	NA	35	NA	28
WASHINGTON	107.53	NA	100.90	NA	106.27	32	NA	32	NA	29
Illinois	107.50	NA	101.31	NA	105.83	33	NA	29	NA	30
Massachusetts	110.36	NA	95.87	NA	105.77	26	NA	40	NA	31
Mississippi	110.75	NA	103.92	NA	105.74	24	NA	23	NA	32
Michigan	114.17	NA	103.83	NA	105.18	18	NA	25	NA	33
Arkansas	106.50	NA	104.00	NA	105.14	37	NA	22	NA	34
Florida	100.06	NA	93.74	NA	105.06	44	NA	44	NA	35
Indiana	105.64	NA	100.39	NA	104.37	38	NA	33	NA	36
North Dakota	119.48	NA	105.19	NA	104.17	12	NA	18	NA	37
South Carolina	104.82	NA	95.82	NA	103.77	40	NA	41	NA	38
Georgia	109.07	NA	100.36	NA	102.32	30	NA	34	NA	39
Oklahoma	106.67	NA	99.53	NA	101.35	34	NA	37	NA	40
Montana	110.53	NA	98.05	NA	101.19	25	NA	38	NA	41
Oregon	105.60	NA	90.93	NA	100.82	39	NA	46	NA	42
Virginia	102.80	NA	95.18	NA	99.56	43	NA	43	NA	43
Texas	96.87	NA	95.49	NA	99.46	46	NA	42	NA	44
Missouri	99.45	NA	96.06	NA	97.31	45	NA	39	NA	45
Colorado	103.53	NA	92.30	NA	92.86	42	NA	45	NA	46
New Hampshire	88.18	NA	84.65	NA	91.61	50	NA	49	NA	47
South Dakota	94.56	NA	90.37	NA	90.60	47	NA	47	NA	48
Tennessee	89.17	NA	83.89	NA	89.97	49	NA	50	NA	49
Alabama	93.65	NA	87.58	NA	88.89	48	NA	48	NA	50
U.S. Average	\$112.28	NA	\$103.98	NA	\$110.33					

* local data for fiscal years 2001 and 2003 not compiled by the U.S. Census Bureau.

Table 2
State & Local Tax Collections Per \$1,000 Personal Income
Thirteen Western States - Fiscal Year 2004

State	Amount	National Rank	Western Rank
Wyoming	\$138.58	2	1
Hawaii	126.25	4	2
New Mexico	116.38	9	3
California	113.06	14	4
Nevada	111.33	18	5
Alaska	110.93	19	6
Idaho	109.82	20	7
Utah	109.81	21	8
Arizona	108.64	23	9
WASHINGTON	106.27	29	10
Montana	101.19	41	11
Oregon	100.82	42	12
Colorado	92.88	46	13

**Table 3. Washington Taxes Per \$1,000 Personal Income
State, Local and Total Taxes for Past 10 Years**

Fiscal Year	<u>State Taxes</u>		<u>Local Taxes</u>		<u>Combined Total</u>	
	Amount	Rank	Amount	Rank	Amount	Rank
2004	\$68.92	21	\$37.35	33	\$106.27	29
2003*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	65.30	23	35.60	34	100.90	32
2001*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2000	72.14	24	35.39	34	107.53	32
1999	75.76	18	35.49	33	111.25	20
1998	78.56	16	36.44	34	115.00	17
1997	80.40	12	37.09	32	117.49	11
1996	81.99	13	37.80	32	119.79	12
1995	84.65	10	38.35	33	123.00	11

*local data for fiscal years 2001 and 2003 not compiled by the U.S. Census Bureau.

**Table 4. Property Taxes Per \$1,000 Personal Income
Fiscal Years 2002-2004**

State	2002		2003*		2004	
	Amount	Rank	Amount	Rank	Amount	Rank
New Hampshire	\$51.03	2	NA	NA	\$56.72	1
Maine	54.81	1	NA	NA	56.31	2
New Jersey	48.30	3	NA	NA	53.25	3
Vermont	46.35	5	NA	NA	50.93	4
Rhode Island	45.86	6	NA	NA	50.38	5
New York	39.48	11	NA	NA	46.78	6
Connecticut	41.05	8	NA	NA	45.70	7
Wisconsin	40.74	9	NA	NA	44.28	8
Texas	39.70	10	NA	NA	43.29	9
Wyoming	46.44	4	NA	NA	42.22	10
Illinois	38.68	13	NA	NA	41.89	11
Kansas	32.82	20	NA	NA	40.13	12
Alaska	41.21	7	NA	NA	40.11	13
Montana	39.14	12	NA	NA	39.90	14
Massachusetts	34.99	17	NA	NA	38.43	15
Iowa	35.88	14	NA	NA	37.94	16
Michigan	33.18	18	NA	NA	37.64	17
Nebraska	35.43	15	NA	NA	37.56	18
Florida	32.94	19	NA	NA	36.14	19
South Carolina	30.43	27	NA	NA	34.40	20
Indiana	35.32	16	NA	NA	33.94	21
Oregon	31.70	25	NA	NA	33.30	22
Ohio	32.65	22	NA	NA	32.80	23
Arizona	30.82	26	NA	NA	32.09	24
North Dakota	32.39	23	NA	NA	32.03	25
Pennsylvania	29.26	29	NA	NA	31.87	26
South Dakota	32.79	21	NA	NA	31.69	27
WASHINGTON	29.94	28	NA	NA	31.68	28
Idaho	29.07	30	NA	NA	31.29	29
Georgia	27.70	33	NA	NA	31.29	30
Virginia	28.86	31	NA	NA	30.72	31
Colorado	27.64	34	NA	NA	30.07	32
Nevada	26.78	35	NA	NA	29.99	33
Maryland	28.44	32	NA	NA	29.18	34
California	26.62	36	NA	NA	29.13	35
Minnesota	31.97	24	NA	NA	28.38	36
Mississippi	26.23	37	NA	NA	27.74	37
Utah	25.54	38	NA	NA	27.68	38
North Carolina	24.06	40	NA	NA	25.97	39
Missouri	24.65	39	NA	NA	25.77	40
West Virginia	21.68	42	NA	NA	22.06	41
Tennessee	22.33	41	NA	NA	21.58	42
Kentucky	19.48	43	NA	NA	20.00	43
Louisiana	17.72	44	NA	NA	19.48	44
Hawaii	17.50	45	NA	NA	18.91	45
New Mexico	17.27	46	NA	NA	17.96	46
Oklahoma	16.80	47	NA	NA	17.59	47
Arkansas	16.14	48	NA	NA	16.60	48
Delaware	15.96	49	NA	NA	16.41	49
Alabama	13.28	50	NA	NA	14.02	50
U.S. Average	\$32.07		NA	NA	\$34.75	

* local data for fiscal year 2003 not compiled by the U.S. Census Bureau.

**Table 5. Per Capita Personal Income
Calendar Years 2003-2005**

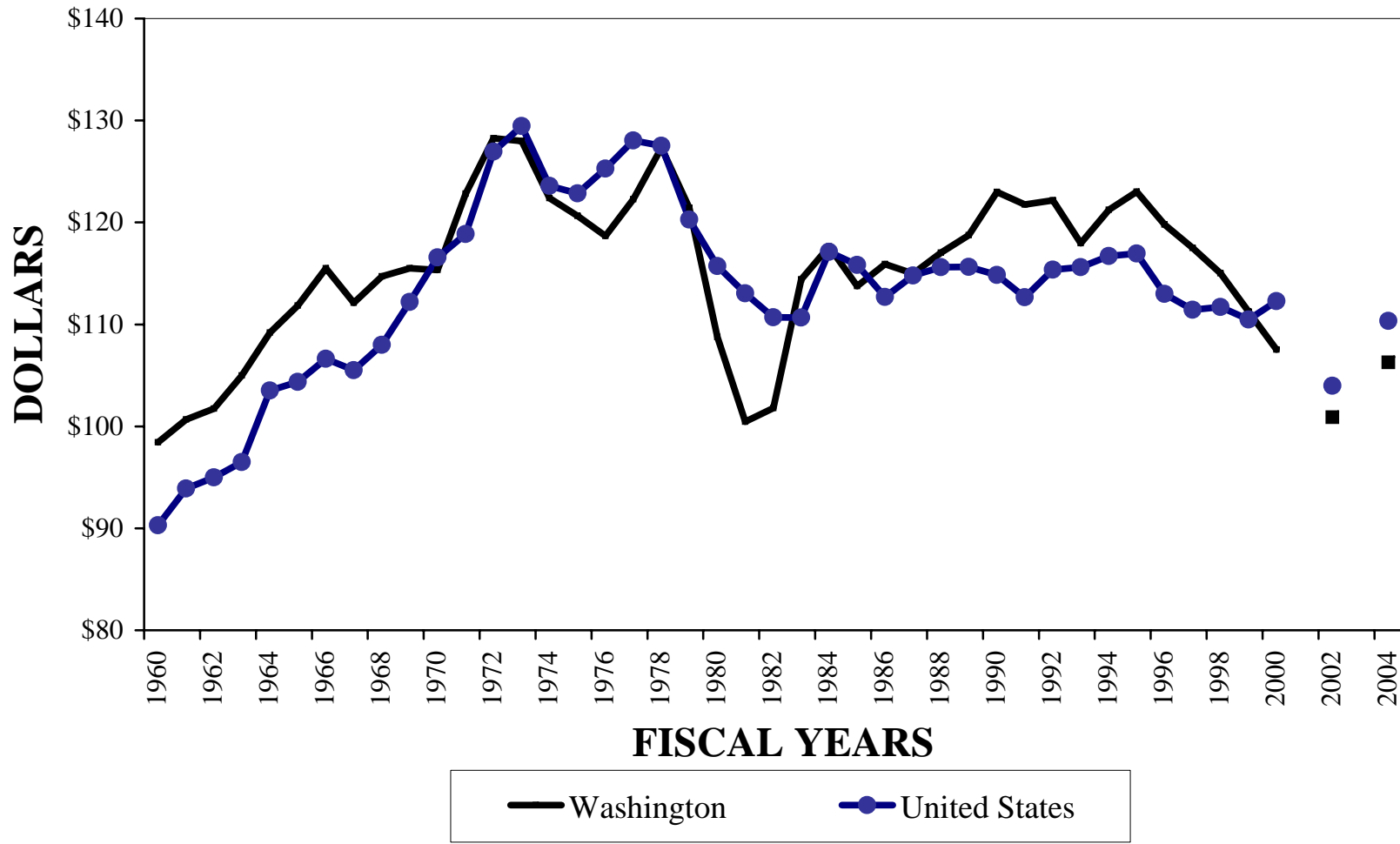
State	2003*		2004		2005 (P)	
	Amount	Rank	Amount	Rank	Amount	Rank
Connecticut	\$42,693	1	\$45,318	1	\$47,819	1
Massachusetts	39,798	2	42,176	2	44,289	2
New Jersey	39,625	3	41,626	3	43,771	3
Maryland	37,423	4	39,631	4	41,760	4
New York	35,944	5	38,264	5	40,507	5
New Hampshire	34,500	7	36,616	6	38,408	6
Virginia	34,014	9	36,160	8	38,390	7
Colorado	34,528	6	36,113	9	37,946	8
Minnesota	34,256	8	36,184	7	37,373	9
Delaware	33,772	10	35,728	10	37,065	10
California	33,400	12	35,219	11	37,036	11
Wyoming	32,279	16	34,279	14	36,778	12
Rhode Island	32,459	15	34,207	15	36,153	13
Illinois	33,755	11	34,721	13	36,120	14
Nevada	31,943	17	33,787	17	35,883	15
Alaska	33,023	13	34,000	16	35,612	16
Washington	32,882	14	35,041	12	35,409	17
Pennsylvania	31,767	18	33,312	18	34,897	18
Hawaii	30,536	22	32,625	19	34,539	19
Nebraska	30,747	20	32,341	20	33,616	20
Wisconsin	30,664	21	32,166	21	33,565	21
Vermont	30,146	23	31,780	23	33,327	22
Florida	30,128	24	31,469	24	33,219	23
Michigan	31,582	19	32,079	22	33,116	24
Kansas	29,698	26	31,078	26	32,836	25
Ohio	29,954	25	31,161	25	32,478	26
Texas	29,452	27	30,732	28	32,462	27
Iowa	28,576	34	31,058	27	32,315	28
Oregon	29,161	29	30,561	29	32,103	29
Missouri	29,210	28	30,475	30	31,899	30
South Dakota	29,102	30	30,209	31	31,614	31
North Dakota	28,828	32	29,494	36	31,395	32
Indiana	28,877	31	30,204	32	31,276	33
Maine	28,497	35	30,046	33	31,252	34
Georgia	28,666	33	29,782	35	31,121	35
Tennessee	28,440	36	29,844	34	31,107	36
North Carolina	27,859	37	29,322	37	30,553	37
Arizona	27,199	38	28,658	38	30,267	38
Montana	26,177	41	27,657	41	29,387	39
Oklahoma	26,560	39	27,840	39	29,330	40
Alabama	26,326	40	27,695	40	29,136	41
Kentucky	25,951	43	27,265	43	28,513	42
South Carolina	25,972	42	27,185	44	28,352	43
Idaho	25,330	46	26,877	45	28,158	44
Utah	25,349	45	26,603	46	28,061	45
New Mexico	24,892	47	26,184	47	27,644	46
West Virginia	24,515	48	25,792	49	27,215	47
Arkansas	24,329	49	25,814	48	26,874	48
Mississippi	23,271	50	24,518	50	25,318	49
Louisiana	25,877	44	27,297	42	24,820	50
U.S. Average	\$31,484		\$33,050		\$34,586	

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce, March 2006.

* Calendar year 2003 personal income used for 2003-2004 tax calculations in Tables 1 - 4.

CHART 1. STATE AND LOCAL TAXES PER \$1000 OF PERSONAL INCOME

WASHINGTON AND ALL STATE AVERAGE 1960-2004



**Table 6. State and Local Taxes Per Capita
Fiscal Years 2002-2004**

State	2002		2003*		2004	
	Amount	Rank	Amount	Rank	Amount	Rank
New York	\$4,645	1	NA	NA	\$5,260	1
Connecticut	4,373	2	NA	NA	4,921	2
New Jersey	4,038	3	NA	NA	4,555	3
Wyoming	3,644	7	NA	NA	4,437	4
Massachusetts	3,721	4	NA	NA	4,217	5
Maryland	3,646	6	NA	NA	4,016	6
Rhode Island	3,392	12	NA	NA	3,891	7
Hawaii	3,416	11	NA	NA	3,813	8
Minnesota	3,673	5	NA	NA	3,811	9
Maine	3,507	8	NA	NA	3,789	10
California	3,440	9	NA	NA	3,736	11
Wisconsin	3,421	10	NA	NA	3,714	12
Vermont	3,190	17	NA	NA	3,681	13
Alaska	3,229	15	NA	NA	3,610	14
Nebraska	3,077	20	NA	NA	3,609	15
Delaware	3,334	13	NA	NA	3,608	16
Illinois	3,303	14	NA	NA	3,555	17
WASHINGTON	3,216	16	NA	NA	3,452	18
Pennsylvania	3,052	21	NA	NA	3,447	19
Ohio	3,170	18	NA	NA	3,419	20
Nevada	2,968	24	NA	NA	3,417	21
Kansas	2,941	25	NA	NA	3,380	22
Virginia	3,037	23	NA	NA	3,342	23
Michigan	3,051	22	NA	NA	3,313	24
Colorado	3,088	19	NA	NA	3,169	25
New Hampshire	2,825	27	NA	NA	3,133	26
Florida	2,686	34	NA	NA	3,094	27
Iowa	2,837	26	NA	NA	3,054	28
Indiana	2,759	29	NA	NA	2,999	29
North Dakota	2,727	30	NA	NA	2,989	30
North Carolina	2,718	32	NA	NA	2,929	31
Oregon	2,558	41	NA	NA	2,917	32
Louisiana	2,722	31	NA	NA	2,899	33
Texas	2,713	33	NA	NA	2,881	34
Georgia	2,816	28	NA	NA	2,877	35
Arizona	2,650	36	NA	NA	2,871	36
New Mexico	2,634	38	NA	NA	2,861	37
Missouri	2,667	35	NA	NA	2,822	38
Kentucky	2,636	37	NA	NA	2,767	39
West Virginia	2,571	40	NA	NA	2,740	40
Utah	2,599	39	NA	NA	2,735	41
Idaho	2,451	43	NA	NA	2,728	42
Oklahoma	2,516	42	NA	NA	2,677	43
South Carolina	2,376	46	NA	NA	2,662	44
Montana	2,346	47	NA	NA	2,623	45
South Dakota	2,423	44	NA	NA	2,615	46
Tennessee	2,241	49	NA	NA	2,536	47
Arkansas	2,387	45	NA	NA	2,536	48
Mississippi	2,275	48	NA	NA	2,444	49
Alabama	2,170	50	NA	NA	2,328	50
U.S. Average	\$3,149		NA		\$3,447	

* local data for fiscal year 2003 not compiled by the U.S. Census Bureau.

**Table 7. Per Capita Yield of State and Local Taxes
Thirteen Western States - Fiscal Year 2004**

State	Amount	National Rank	Western Rank
Wyoming	\$4,437	4	1
Hawaii	3,813	8	2
California	3,736	11	3
Alaska	3,610	14	4
WASHINGTON	3,452	18	5
Nevada	3,419	21	6
Colorado	3,169	25	7
Oregon	2,917	32	8
Arizona	2,871	36	9
New Mexico	2,861	37	10
Utah	2,735	41	11
Idaho	2,728	42	12
Montana	2,623	45	13

**Table 8. Washington Taxes Per Capita
State, Local and Total Taxes for Past 10 Years**

Fiscal Year	<u>State Taxes</u>		<u>Local Taxes</u>		<u>Combined Total</u>	
	Amount	Rank	Amount	Rank	Amount	Rank
2004	\$2,239	13	\$1,213	28	\$3,452	18
2003*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	2,081	13	1,135	25	3,216	16
2001	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2000	2,132	13	1,046	24	3,178	15
1999	2,143	10	1,004	24	3,148	13
1998	2,075	8	963	25	3,038	13
1997	1,995	8	921	27	2,916	11
1996	1,913	8	882	28	2,795	10
1995	1,877	8	851	29	2,728	10

* local data for fiscal years 2001 and 2003 not compiled by U.S. Census Bureau.

Table 9. Per Capita Property Tax Collections
Fiscal Years 2002-2004

State	2002		2003*		2004	
	Amount	Rank	Amount	Rank	Amount	Rank
New Jersey	\$1,872	1	NA	NA	\$2,099	1
Connecticut	1,733	2	NA	NA	1,944	2
New Hampshire	1,703	3	NA	NA	1,940	3
New York	1,402	5	NA	NA	1,677	4
Rhode Island	1,369	7	NA	NA	1,629	5
Maine	1,477	4	NA	NA	1,596	6
Massachusetts	1,358	8	NA	NA	1,532	7
Vermont	1,337	9	NA	NA	1,531	8
Illinois	1,261	11	NA	NA	1,407	9
Wyoming	1,387	6	NA	NA	1,352	10
Wisconsin	1,189	12	NA	NA	1,350	11
Alaska	1,295	10	NA	NA	1,306	12
Texas	1,128	13	NA	NA	1,254	13
Kansas	931	24	NA	NA	1,187	14
Michigan	975	18	NA	NA	1,186	15
Nebraska	1,012	15	NA	NA	1,148	16
Maryland	993	16	NA	NA	1,082	17
Iowa	980	17	NA	NA	1,080	18
Florida	944	21	NA	NA	1,064	19
Montana	937	22	NA	NA	1,034	20
Virginia	921	26	NA	NA	1,031	21
WASHINGTON	954	20	NA	NA	1,029	22
Colorado	925	25	NA	NA	1,026	23
Pennsylvania	885	28	NA	NA	1,010	24
Ohio	933	23	NA	NA	981	25
Indiana	971	19	NA	NA	975	26
Minnesota	1,038	14	NA	NA	965	27
Oregon	892	27	NA	NA	963	28
California	864	30	NA	NA	963	29
Nevada	786	32	NA	NA	920	30
North Dakota	840	31	NA	NA	919	31
South Dakota	879	29	NA	NA	915	32
South Carolina	754	35	NA	NA	882	33
Georgia	777	34	NA	NA	880	34
Arizona	782	33	NA	NA	848	35
Idaho	714	36	NA	NA	777	36
Missouri	684	37	NA	NA	747	37
North Carolina	653	38	NA	NA	713	38
Utah	612	39	NA	NA	689	39
Mississippi	574	41	NA	NA	641	40
Tennessee	596	40	NA	NA	608	41
Hawaii	496	44	NA	NA	571	42
Delaware	496	43	NA	NA	546	43
West Virginia	499	42	NA	NA	540	44
Kentucky	483	45	NA	NA	516	45
Louisiana	434	46	NA	NA	502	46
Oklahoma	425	47	NA	NA	465	47
New Mexico	408	48	NA	NA	441	48
Arkansas	371	49	NA	NA	400	49
Alabama	329	50	NA	NA	367	50
U.S. Average	\$971		NA		\$1,086	

* local data for fiscal year 2003 not compiled by the U.S. Census Bureau.

**Table 10. Per Capita State and Local Sales Tax Collections
Fiscal Year 2004**

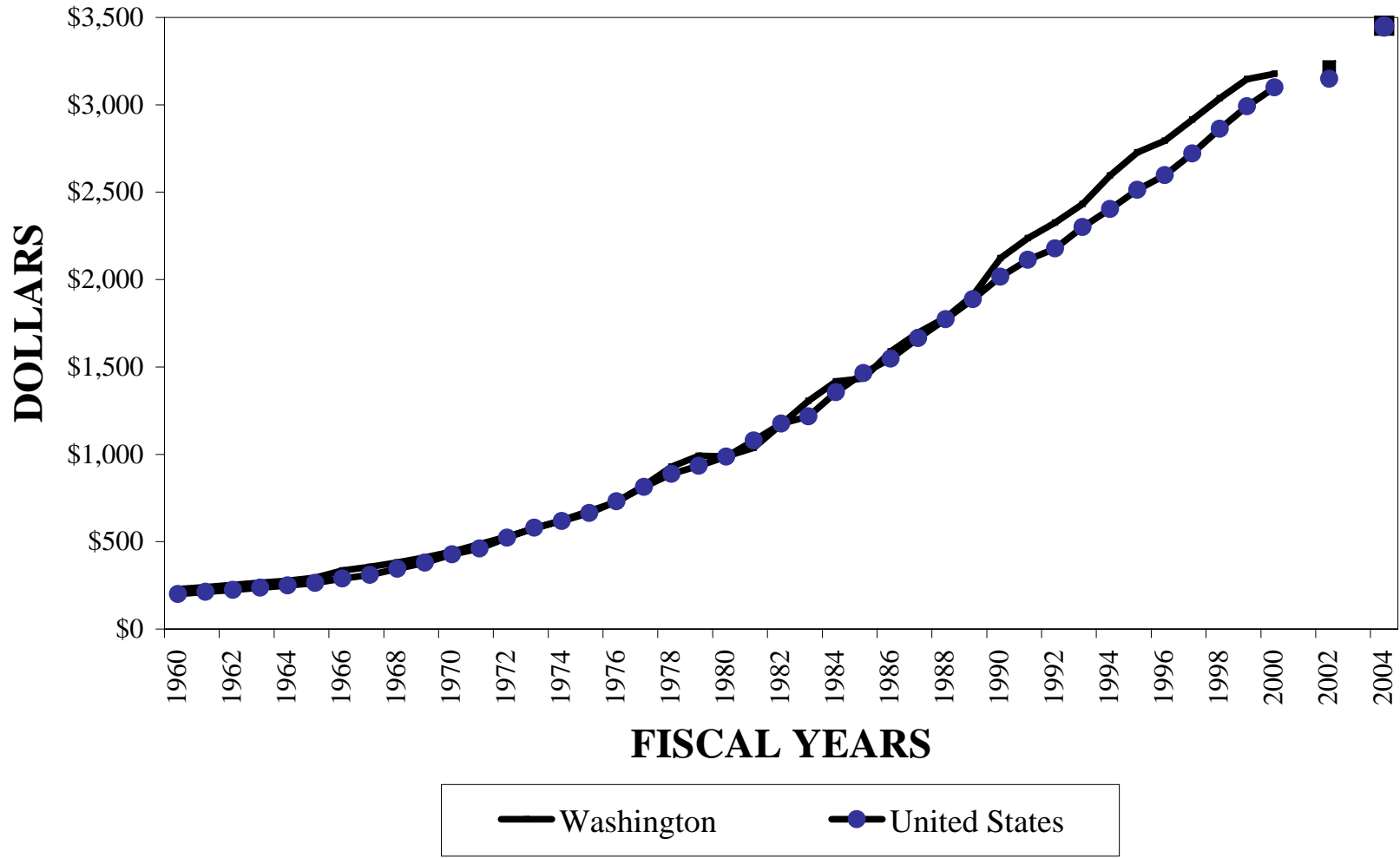
State	General Sales Taxes [1]		Selective Sales Taxes [2]		Total Sales and Gross Receipts Taxes	
	Amount	Rank	Amount	Rank	Amount	Rank
WASHINGTON	\$1,577	1	\$517	8	\$2,094	1
Hawaii	1,506	2	559	5	2,065	2
Nevada	1,058	7	900	1	1,958	3
Louisiana	1,183	5	424	20	1,606	4
Florida	1,035	8	541	6	1,577	5
Tennessee	1,201	3	300	41	1,501	6
Wyoming	1,197	4	254	49	1,451	7
New York	1,005	13	416	21	1,421	8
Connecticut	894	17	507	9	1,401	9
Arizona	1,111	6	281	43	1,392	10
South Dakota	1,021	11	368	24	1,389	11
New Mexico	1,028	10	353	28	1,381	12
Arkansas	1,030	9	321	34	1,351	13
Nebraska	1,007	12	328	32	1,335	14
Texas	852	19	467	16	1,320	15
Minnesota	810	21	478	12	1,288	16
California	957	14	304	40	1,261	17
Kansas	908	15	345	29	1,253	18
Rhode Island	745	29	469	15	1,214	19
Illinois	622	39	585	4	1,207	20
Mississippi	856	18	336	30	1,192	21
West Virginia	563	42	623	3	1,186	22
Colorado	905	16	266	47	1,171	23
North Dakota	677	36	489	11	1,167	24
Missouri	807	23	355	27	1,162	25
Alabama	710	32	443	18	1,153	26
Utah	824	20	321	35	1,144	27
New Jersey	721	31	405	22	1,126	28
Indiana	764	27	359	26	1,123	29
Vermont	417	45	699	2	1,116	30
Michigan	781	26	314	38	1,095	31
Ohio	809	22	267	46	1,076	32
Wisconsin	752	28	323	33	1,075	33
Georgia	796	24	260	48	1,057	34
North Carolina	688	35	360	25	1,048	35
Pennsylvania	642	38	400	23	1,042	36
Kentucky	598	40	443	19	1,041	37
Oklahoma	790	25	243	50	1,032	38
Idaho	743	30	280	44	1,023	39
Iowa	689	34	331	31	1,020	40
Maine	698	33	319	36	1,016	41
Maryland	487	44	494	10	981	42
Virginia	518	43	451	17	969	43
South Carolina	677	37	278	45	956	44
Massachusetts	584	41	312	39	896	45
Alaska	226	46	319	37	544	46
New Hampshire	--	--	519	7	519	47
Delaware	--	--	475	13	475	48
Montana	--	--	475	14	475	49
Oregon	--	--	282	42	282	50

[1] Includes retail sales taxes that apply to most goods and gross receipts taxes measured by sales (e.g., Washington's B&O tax), per Census Bureau classifications which do not separate general sales taxes from gross receipts taxes.

[2] Specific taxes upon particular items, such as gasoline, alcoholic beverages, tobacco products and public utilities.

CHART 2. STATE AND LOCAL TAXES PER CAPITA

WASHINGTON AND ALL STATE AVERAGE 1960-2004



**Table 11. State/Local Tax Collections
Selected States - Fiscal Year 2004**

State	Percent of Total Collections	
	State Level	Local Level
WASHINGTON	64.9 %	35.1 %
Oregon	58.3	41.7
Idaho	69.6	30.4
California	64.0	36.0
All States	58.4 %	41.6 %

**Table 12. Percentage of Reliance on
Major State and Local Taxes
Selected States - Fiscal Year 2004**

State	General Sales [1]	Selective Sales [2]	Property	Income	Other [3]
WASHINGTON	45.7 %	15.0 %	29.8 %	---	9.5 %
Oregon	---	9.7	33.0	44.8	12.5
Idaho	27.2	10.3	28.5	26.6	7.4
California	25.6	8.1	25.8	32.4	8.1
All States	24.2 %	11.5 %	31.5 %	24.6 %	8.2 %

[1] Includes retail sales/use taxes and gross receipts (B&O) taxes levied on gross sales.

[2] Includes taxes on specific items, e.g., gasoline, liquor, cigarettes and public utilities.

[3] Includes motor vehicle licenses and all other taxes.

Table 13. Utilization of Retail Sales and Income Taxes, 2006

State	Retail Sales Tax		Corporate Net Income Tax	Personal Income Tax	
	State	Local		Broad-based	Interest/Dividends Only
Alabama	X	X	X	X	
Alaska		X	X		
Arizona	X	X	X	X	
Arkansas	X	X	X	X	
California	X	X	X	X	
Colorado	X	X	X	X	
Connecticut	X		X	X	
Delaware			X	X	
Florida	X	X	X		
Georgia	X	X	X	X	
Hawaii	X		X	X	
Idaho	X	X	X	X	
Illinois	X	X	X	X	
Indiana	X		X	X	
Iowa	X	X	X	X	
Kansas	X	X	X	X	
Kentucky	X		X	X	
Louisiana	X	X	X	X	
Maine	X		X	X	
Maryland	X		X	X	
Massachusetts	X		X	X	
Michigan	X			X	
Minnesota	X	X	X	X	
Mississippi	X	X	X	X	
Missouri	X	X	X	X	
Montana			X	X	
Nebraska	X	X	X	X	
Nevada	X	X			
New Hampshire			X		X
New Jersey	X		X	X	
New Mexico	X	X	X	X	
New York	X	X	X	X	
North Carolina	X	X	X	X	
North Dakota	X	X	X	X	
Ohio	X	X	X	X	
Oklahoma	X	X	X	X	
Oregon			X	X	
Pennsylvania	X	X	X	X	
Rhode Island	X		X	X	
South Carolina	X	X	X	X	
South Dakota	X	X			
Tennessee	X	X	X		X
Texas	X	X			
Utah	X	X	X	X	
Vermont	X	X	X	X	
Virginia	X	X	X	X	
WASHINGTON	X	X			
West Virginia	X		X	X	
Wisconsin	X	X	X	X	
Wyoming	X	X			
Number of States Imposing This Tax	45	35	44	41	2

of states imposing a state or local sales tax = 46 (all except DE, MT, NH and OR)

of states imposing some form of income tax = 45 (all except NV, SD, TX, WA, and WY)

of states imposing both a state or local sales tax and some form of an income tax = 41

Table 14. Rates of Selected Major State Taxes, January 2006

State	Retail Sales		Personal Income [1]				Corporation Income %	Gasoline Per Gal. (cents)	Cigarette Per Pkg. (\$/pack)
	State Rate %	Maximum Local Rate %	Lowest Bracket	Rate %	Highest Bracket	Rate %			
Alabama.....	4	7	1st \$500	2	Over \$3,000	5 [2]	6.5	18[2]	0.425 [2]
Alaska.....	--	7	--	--	--	--	1 to 9.4	8	1.60 [3]
Arizona.....	5.6	4	1st \$10,000	2.87	Over \$150,000	5.04	6.968	18	1.18
Arkansas.....	6	5	1st \$3,399	1	Over \$28,500	7	1 to 6.5 [2]	21.5	0.59
California.....	7.25 [4]	1.5	1st \$6,319	1	Over \$41,477	9.3 [2]	8.84	18 [2]	0.87
Colorado.....	2.9	5.3	4.63% of federal taxable income				4.63	22	0.84
Connecticut....	6	--	1st \$10,000	3	Over \$10,000	5	7.5	25	1.51
Delaware.....	--	--	\$2,000-5,000	2.2	Over \$60,000	5.95 [2]	8.7	23	0.55
Florida.....	6	1.5	--	--	--	--	5.5	14.9 [2]	0.339
Georgia.....	4	3	1st \$750	1	Over \$7,000	6	6	15.3 [5]	0.37
Hawaii.....	4	--	1st \$2,000	1.4	Over \$40,000	8.25	4.4 to 6.4	16 [2]	1.40
Idaho.....	5	2	1st \$1,159	1.6	Over \$23,178	7.8	7.6	25	0.57
Illinois.....	6.25	3	3% of taxable income				7.3	20.1 [2]	0.98 [2]
Indiana.....	6	--	3.4% of adjusted gross income [2]				8.5	18	0.555
Iowa.....	5	2	1st \$1,269	0.36	Over \$57,106	8.98	6 to 12	20.7	0.36
Kansas.....	5.3	2.75	1st \$15,000	3.5	Over \$30,000	6.45	4 to 7.35 [2]	24	0.79
Kentucky.....	6	--	1st \$3,000	2	Over \$75,000	6 [2]	4 to 7 [2]	18.5	0.30
Louisiana.....	4	6.25	1st \$12,500	2	Over \$25,000	6	4 to 8	20	0.36
Maine.....	5	--	1st \$4,550	2	Over \$18,250	8.5	3.5 to 8.93	25.9	2.00
Maryland.....	5	--	1st \$1,000	2	Over \$3,000	4.75 [2]	7	23.5	1.00
Massachusetts.	5	--	5.3% of taxable income				9.5	21	1.51
Michigan.....	6	--	3.9% of adjusted gross income [2]				--	19	2.00
Minnesota.....	6.5	1	1st \$20,510	5.35	Over \$67,360	7.85	9.8	20	1.23
Mississippi.....	7	0.25	1st \$5,000	3	Over \$10,000	5	3 to 5	18.4	0.18
Missouri.....	4.225	4.875	1st \$1,000	1.5	Over \$9,000	6 [2]	6.25	17.55	0.17[2]

Sources: Federation of Tax Administrators; "State Tax Guide," Commerce Clearing House, Inc.; Energy Information Administration; Research Institute of America (RIA)

NOTE: This table is intended only as a general guide. Tax rates may change frequently, and some changes are only in effect temporarily. Also, there may be differences of interpretation whether a tax is considered as a state tax or a state-collected local tax and whether a rate has been implemented or merely authorized.

Table 14. Rates of Selected Major State Taxes, January 2006

State	Retail Sales		Personal Income [1]				Corporation Income %	Gasoline Per Gal. (cents)	Cigarette Per Pkg. (\$/pack)
	State Rate %	Maximum Local Rate %	Lowest Bracket	Rate %	Highest Bracket	Rate %			
Montana.....	--	--	1st \$2,300	1	Over \$13,900	6.9	6.75	27	1.70
Nebraska.....	5.5	1.5	1st \$2,400	2.56	Over \$26,500	6.84	5.58 to 7.81	27	0.64
Nevada.....	6.5	1.25	--	--	--	--	--	24.8	0.80
New Hampshire.	--	--	Interest and dividends - 5%				8.5	19.625	0.80
New Jersey.....	6	--	1st \$20,000	1.4	Over \$500,000	8.97 [2]	9	14.5	2.40 [2]
New Mexico.....	5	2.813	1st \$5,500	1.7	Over \$16,000	5.3	4.8 to 7.6	18.9	0.91
New York.....	4	5.5	1st \$8,000	4	Over \$500,000	6.85 [2]	7.5 [2]	23.9	1.50 [2]
North Carolina...	4.5	2.5	1st \$12,750	6	Over \$120,000	8.25	6.9	30.15	0.30
North Dakota.....	5	2.5	1st \$29,700	2.1	Over \$326,450	5.54	2.6 to 7	23	0.44
Ohio.....	5.5	2	1st \$5,000	0.712	Over \$200,000	7.185 [2]	5.1 to 8.5 [2]	28	1.25
Oklahoma.....	4.5	6	1st \$1,000	0.5	Over \$10,000	6.25	6	17	1.03
Oregon.....	--	--	1st \$2,650	5	Over \$6,550	9 [2]	6.6 [2]	24 [2]	1.18
Pennsylvania....	6	1	3.07% of taxable income [2]				9.99 [2]	31.2	1.35
Rhode Island.....	7	--	25% of federal tax				9	31	2.46
South Carolina...	5	2	1st \$2,570	2.5	Over \$12,850	7	5	16	0.07
South Dakota....	4	2	--	--	--	--	--	22 [2]	0.53
Tennessee.....	7	2.75	Interest and dividends - 6%				6.5	21.4	0.20 [2]
Texas.....	6.25	2	--	--	--	--	--	20	0.41
Utah.....	4.75	3.35	1st \$863	2.3	Over \$4,313	7	5	24.5	0.695
Vermont.....	6	1	1st \$29,900	3.6	Over \$326,450	9.5	7.0 to 9.75	20	1.19
Virginia.....	5 [4]	1	1st \$3,000	2	Over \$17,000	5.75	6	17.5 [2]	0.30 [2]
Washington.....	6.5	2.4	--	--	--	--	--	31 [6]	2.025
West Virginia....	6	--	1st \$10,000	3	Over \$60,000	6.5	9	27	0.55
Wisconsin.....	5	0.6	1st \$8,840	4.6	Over \$132,580	6.75	7.9	32.9	0.77
Wyoming.....	4	2	--	--	--	--	--	14	0.60

[1] Generally the brackets indicated apply to single taxpayers, but most states double the brackets for joint filers.

[2] Local units of government may impose additional taxes.

[3] Alaska's cigarette tax increases to \$1.80 on 7/1/2006 and to \$2.00 7/1/2007.

[4] Includes statewide mandatory local sales tax of 1.0%.

[5] Georgia's basic gas tax rate is 7.5 cents, plus a special tax of 7.8 cents, Jan.-June, 2006.

[6] Washington's gas tax rate increases to 34 cents, 7/1/ 2006.

Table 15. Comparison of State/Local Retail Sales Taxes - January, 2006

State	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Arkansas	T	6.00	5.00	11.00
Oklahoma	T	4.50	6.00	10.50
Louisiana	E [3]	4.00	6.25	10.25
Tennessee	T**	7.00	2.75	9.75
Arizona	E [3]	5.60	4.00	9.60
New York	E	4.00	5.50	9.50
Illinois	T**	6.25	3.00	9.25
Missouri	T**	4.225	4.875	9.10
Alabama	T**	4.00	5.00	9.00
WASHINGTON	E	6.50	2.40	8.90
California	E	7.25	1.50	8.75
Texas	E	6.25	2.00	8.25
Colorado	E	2.90	5.30	8.20
Utah	T**	4.75	3.35	8.10
Kansas	T*	5.30	2.75	8.05
New Mexico	E	5.00	2.813	7.813
Nevada	E	6.50	1.25	7.75
Florida	E	6.00	1.50	7.50
Ohio	E	5.50	2.00	7.50
Minnesota	E	6.50	1.00	7.50
North Carolina	E [3]	4.50	3.00	7.50
North Dakota	E	5.00	2.50	7.50
Mississippi	T	7.00	0.25	7.25
Alaska	T	---	7.00 [4]	7.00
Georgia	E [3]	4.00	3.00	7.00
Idaho	T*	5.00	2.00	7.00
Iowa	E	5.00	2.00	7.00
Nebraska	E	5.50	1.50	7.00
Pennsylvania	E	6.00	1.00	7.00
Rhode Island	E	7.00	---	7.00
South Carolina	T	5.00	2.00	7.00
Vermont	E	6.00	1.00	7.00
Connecticut	E	6.00	---	6.00
Indiana	E	6.00	---	6.00
Kentucky	E	6.00	---	6.00
Michigan	E	6.00	---	6.00
New Jersey	E	6.00	---	6.00
South Dakota	T*	4.00	2.00	6.00
Virginia	T**	5.00	1.00	6.00
West Virginia	T**	6.00	---	6.00
Wyoming	T*	4.00	2.00	6.00
District of Columbia	E	5.75	---	5.75
Wisconsin	E	5.00	0.60	5.60
Maine	E	5.00	---	5.00
Maryland	E	5.00	---	5.00
Massachusetts	E	5.00	---	5.00
Hawaii	T*	4.00	---	4.00

[1] Food products purchased for consumption off-premises of the seller.

[2] Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.

[3] Food products are exempt from state tax, but subject to local taxes.

[4] Alaskan cities and boroughs may levy local sales taxes ranging from 1% to 7%.

* Income tax credit allowed to offset sales tax on food.

** Food taxed at lower rate.

Source: "State Tax Guide," Commerce Clearing House, Inc.; Federation of Tax Administrators.

**Table 16. Comparison of Business Taxes
Major Taxes on General Business Activities, 2006**

State	Net Income Tax On Corporations	Other General Business Taxes*			Comments
		Tax	Tax Base	Major Rates	
Alabama	Yes				
Alaska	Yes				
Arizona	Yes	Transaction Privilege Gross Receipts	gross income	5.6%	broader form of sales tax similar to a retail sales tax
Arkansas	Yes		gross proceeds	6%	
California	Yes				
Colorado	Yes				
Connecticut	Yes				
Delaware	Yes	Merchants & Manuf.	gross receipts	0.18 - 0.72%	
Florida	Yes				
Georgia	Yes				
Hawaii	Yes	General Excise	gross income	0.5 - 4%	broader form of sales tax
Idaho	Yes				
Illinois	Yes				
Indiana	Yes				
Iowa	Yes				
Kansas	Yes				
Kentucky	Yes	Alternative Minimum	gross receipts	0.095%	part of corporate income tax
Louisiana	Yes				
Maine	Yes				
Maryland	Yes				
Massachusetts	Yes				
Michigan	No	Single Business Tax	value added	1.9%	expires 12/31/2009
Minnesota	Yes				
Mississippi	Yes				
Missouri	Yes				
Montana	Yes				
Nebraska	Yes				
Nevada	No	Modified Bus. Tax	wages paid	0.63%	
New Hampshire	Yes	Bus. Enterprise Tax	gross receipts	0.75%	
New Jersey	Yes	Alternative Minimum	gross receipts	max. 0.4%	part of corporate income tax
New Mexico	Yes	Gross Receipts Tax	gross receipts	5%	similar to a retail sales tax
New York	Yes				
North Carolina	Yes				
North Dakota	Yes				
Ohio	Yes	Commercial Activities	gross receipts	0.26% (2010)	receipts > \$1 million
Oklahoma	Yes				
Oregon	Yes				
Pennsylvania	Yes				
Rhode Island	Yes				
South Carolina	Yes				
South Dakota	No				
Tennessee	Yes				
Texas	No	Franchise Tax	value-added**	0.5 - 1%	adopted 5/06; effective 1/08
Utah	Yes				
Vermont	Yes				
Virginia	Yes				
WASHINGTON	No	B&O Tax	gross receipts	0.484%	in addition to retail sales tax
West Virginia	Yes				
Wisconsin	Yes				
Wyoming	No				

*Excludes taxes on specific industries or activities (utilities, insurance, severance, etc.) & corporate franchise or license fees.

**Based on total revenue but allows deduction of wages paid or cost of goods sold; sole proprietors are exempt.

of states levying a corporate net income tax = 44 (all except MI, NV, SD, TX, WA, and WY)

of states with a gross receipts tax that is broader than a traditional retail sales tax = 6 (AZ, DE, HI, NH, OH, & WA)

of states that rely exclusively on a gross receipts business tax = 1 (WA)

**Table 17. Comparison of State Cigarette and Gasoline Taxes,
Rates Effective January, 2006**

Cigarette Tax		Gasoline Tax	
State	\$ Per Pack	State	¢ Per Gallon
Rhode Island	2.46	Wisconsin [2]	32.9
New Jersey [1]	2.40	Pennsylvania	31.2
WASHINGTON	2.025	Rhode Island [2]	31
Maine	2.00	WASHINGTON	31 [5]
Michigan	2.00	North Carolina [2]	30.15
Montana	1.70	Ohio	28
Alaska	1.60	Montana	27
Connecticut	1.51	Nebraska [2]	27
Massachusetts	1.51	West Virginia [3]	27
New York [1]	1.50	Maine	25.9
Hawaii	1.40	Connecticut	25
Pennsylvania	1.35	Idaho	25
Ohio	1.25	Nevada [1]	24.8
Minnesota	1.23	Utah	24.5
Vermont	1.19	Kansas	24
Arizona	1.18	Oregon [1]	24
Oregon	1.18	New York [3]	23.9
Oklahoma	1.03	Maryland	23.5
Maryland	1.00	Delaware	23
Illinois [1]	0.98	North Dakota	23
New Mexico	0.91	Colorado	22
California	0.87	South Dakota [1]	22
Colorado	0.84	Arkansas	21.5
Nevada	0.80	Tennessee [1]	21.4
New Hampshire	0.80	Massachusetts [2]	21
Kansas	0.79	Iowa	20.7
Wisconsin	0.77	Illinois[1][3]	20.1
Utah	0.695	Louisiana	20
Nebraska	0.64	Minnesota	20
Wyoming	0.60	Texas	20
Arkansas	0.59	Vermont	20
Idaho	0.57	New Hampshire	19.625
Indiana	0.555	Michigan [2][3]	19
Delaware	0.55	New Mexico	18.9
West Virginia	0.55	Kentucky [2]	18.5
South Dakota	0.53	Mississippi	18.4
North Dakota	0.44	Alabama [1]	18
Alabama [1]	0.425	Arizona	18
Texas	0.41	California [1][3]	18
Georgia	0.37	Indiana [3]	18
Iowa	0.36	Missouri	17.55
Louisiana	0.36	Virginia [1]	17.5
Florida	0.339	Oklahoma	17
North Carolina	0.30	Hawaii [1][3]	16
Kentucky	0.30	South Carolina	16
Virginia [1]	0.30	Georgia [3]	15.3 [4]
Tennessee [1]	0.20	Florida [1][3]	14.9
Mississippi	0.18	New Jersey	14.5
Missouri [1]	0.17	Wyoming	14
South Carolina	0.07	Alaska	8

[1] Plus local taxes. [2] Variable rate based on fuel price, consumption or maintenance costs.

[3] Gasoline is also subject to retail sales tax. [4] Georgia = 7.5 cents/gallon, plus 3% of price.

[5] Washington's gas tax rate increases to 34 cents, 7/1/ 2006.

Sources: See Table 16.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	Early History	1929	1931	1933	1935	1937
PROPERTY	1853, U.S. Organic Act established territorial government; all taxes to be assessed uniformly; exemption for U.S. property, churches, benevolent institutions. 1886, revenue producing property of churches is taxable. 1889, State Constitution: property to be assessed uniformly; Legislature may grant exemptions. 1900, \$300 personal property per household exempt. 1925, exemption for private schools and colleges.	14th Amendment (1930): classification of property is allowed, real estate must be one class; yield tax on reforestation land and mines is permitted.	Exemption for intangibles. Yield tax on reforestation lands. 1932, initiative imposing 40 mill limit.	1932, <u>Redd</u> case limited state authority over local property assessments.	Exemption for all household goods and personal effects.	Motor vehicles exempt from property tax.
VEHICLE EXCISE						Motor vehicle excise tax, 1.5% of value.
OTHER TAXES IN LIEU OF PROPERTY TAX						
RETAIL SALES AND USE					2% tax on sales to or use by consumers of tangible personal property. Exemption for dairy products, fruit, vegetables, eggs and bread.	1939, tax is extended to all food, liquor and services to tangible property.
BUSINESS AND OCCUPATION				Occupation tax on gross income: extracting 0.3%; mfg. 0.25%; wholesaling 0.20%; retailing 0.5%; most services 0.5%.	B&O replaced occupation tax. Basic rate 0.25% (mfg., wholesaling, retailing); service 0.5%. Farming and employees exempt. Minimum, \$200/month (\$500 retailers).	
PUBLIC UTILITY				Occupation tax: 3% basic rate; gas 2%; vessels and transit 0.5%; all others 1.5%.	Public utility tax separated from B&O. 1933 rates retained.	
GASOLINE	1921, tax of 1¢ per gallon.	Rate increased from 1¢ to 2¢.	Rate increased from 2¢ to 4¢.	Rate increased from 4¢ to 5¢. Refunds for off-highway use.	Fuel oil tax of 1/4 cents per gallon.	
CIGARETTE AND TOBACCO					Cigarette tax of 1¢ per package.	(1939) Rate increased from 1¢ to 2¢.
ALCOHOLIC BEVERAGES				1934, beer excise tax: \$1.00/barrel.	10% tax on sales of liquor by Control Board. 10¢ per gallon on wine.	
INHERITANCE AND GIFT	1901, inheritance tax: Class A, 1% (\$10,000 exempt); Class B, 3% - 6%; Class C, 6% - 12%. 1917, increased rates for each class; \$1,000 family allowance. 1923, rates increased.	Exemption for each Class A decedent. All maximum rates lowered.	Adjustment in Class B tax rates.		Revision of rates and tax brackets. Exemptions for first \$40,000 of paid insurance and \$1,000 for Class B.	
INSURANCE	1891, tax of 2% levied on gross premiums. 1911, retaliatory clause adopted.					Domestic rate 1%; foreign rate 2.25%.
ADMISSION AND AMUSEMENT				5% tax on gross receipts of boxing, wrestling, and pari-mutuel betting.	State admissions tax of 1¢ per 20¢ of ticket price.	

**Chart 3. Historical Summary of Washington Taxes
Major Tax Rate and Base Changes**

	1941	1943	1944	1949	1951	1955	1959	1961
PROPERTY		Exemption for house trailers.	17th Amendment: assessment at 50% of true and fair value; 40 mill limitation in Constitution.			Property revaluation cycle: four-year interval.		Freeport exemption for goods in transit.
VEHICLE EXCISE		Inclusion of house trailers at 1.5%.		1% excise tax on value of aircraft.		Rate reduced to 1% for house trailers (1957).	Motor vehicle rate increased from 1.5% to 2.0%.	
OTHER TAXES IN LIEU OF PROPERTY TAX	PUD tax in lieu of property tax; 2% of PUD gross revenues.			Extension of PUD to self-generated energy at 5% of gross revenue.			PUD tax on self-generated energy changed to 5% of first 4 mills.	
RETAIL SALES AND USE	Rate increased from 2% to 3%. Tax extended to services rendered to real property.	Exemption for seed fertilizer, chemical sprays.	1945, exemption of breeding livestock.		Extension to hotels and motels. Exemption of liquor but subject to 10% excise tax.	Rate increased from 3% to 3.33%.	Rate increased from 3.33% to 4%. Extension to rental of personal property, clearing/ moving land, and services to buildings.	Extended to various services: recreation, amusement, title escrow and parking.
BUSINESS AND OCCUPATION	Uniform minimum of \$300 per month. Elimination of tax on internal distributions.				Surtax of 20%: basic rate 0.3%, service 0.6%.	Increase of surtax to 60%: basic rate 0.4%, service 0.8%. Internal distribution restored to tax base.	Surtax on basic rate increased to 76% (0.44%). Service rate 1%. Extension to rental property: 1960, ruled to be unconstitutional.	
PUBLIC UTILITY					Surtax of 10%.	Increase of surtax to 20% (1957).		
GASOLINE	Use fuel tax, 5¢/gallon on diesel, etc.		18th Amendment earmarked tax for roads.	Rate increased from 5¢ to 6.5¢. Repeal of fuel oil tax (1947).				Increase in rate from 6.5¢ to 7.5¢.
CIGARETTE AND TOBACCO				Rate increased from 2¢ to 4¢.		Rate increased from 4¢ to 5¢.	Rate increased from 5¢ to 6¢. 25% tax on other tobacco products.	Increase in rate from 6¢ to 7¢.
ALCOHOLIC BEVERAGES		10% war liquor tax (20% total).		Repeal of both 10% liquor taxes. 15% discount for Class H.	10% liquor excise tax.		Liquor tax rate increased from 10% to 15% for consumers (not wine or Class H).	Additional liquor sales tax of 1.1¢ per fluid ounce.
INHERITANCE AND GIFT	Gift tax enacted, rates are 90% of inheritance tax schedule.	Minor rate adjustment in Class A.						Repeal of deduction for federal taxes.
INSURANCE				Rate reductions: foreign to 2%, marine to 0.75%.				
ADMISSION AND AMUSEMENT	Mechanical devices taxed at 10% or 20% of gross yield.	Admission tax given to local government.		Mechanical devices tax rates doubled to 20% and 40% (1947).	Slot machines ruled an illegal lottery (1952).			

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1965	1967	1969	1970	1971
PROPERTY	47th amendment (1966) allowing exemptions for senior citizens.	Two mills of local school levy shifted to state. \$50 senior citizen exemption. <u>Barlow vs. Kinneer</u> decision provided state with greater assessment equalization power. 1968, 53rd amendment provided current use assessment for open space, timber, and agricultural lands.	State funding of revaluation plan. <u>Carkonen vs. Williams</u> decision required 50% assessment for all property.	Open space law to implement 53rd amendment. <u>Edgewater Inn</u> decision: leases of public property subject to assessment.	\$50 senior citizen exemption replaced by exemption from special levies: \$4,000 and under income receive 100% exemption; \$4,000 to \$6,000 income get 50% exemption. Annual increase in regular levy revenues of local taxing districts limited to 106%, starting with 1974 collections. Expanded exemption for facilities of private schools. Standing timber exempt. Moratorium until 1973 on assessment of leasehold estates. Deduction of selling costs (overruled in 1972). Annual updating of values permitted. Delinquency rate on first \$500 lowered from 10% to 5%.
VEHICLE EXCISE	House trailer rate increased from 1% to 1.5%.	1% aircraft excise replaced by \$15 for single engine and \$25 for multi-engines.			Mobile home and travel trailer tax increased from 1.5% to 2%
OTHER TAXES IN LIEU OF PROPERTY TAX					
RETAIL SALES AND USE	Rate increased from 4% to 4.2%. Extension to bowling.	Rate increased from 4.2% to 4.5%. Exemption for pollution control facilities. King County authorized to share 2% of state 4.5% tax on hotel and motel accommodations for stadium construction.		Local sales/use tax at 0.5% rate authorized. 2% hotel/motel tax extended to Spokane and Tacoma.	Authorization for local 0.3% sales/use tax in King County for transit purposes. Road construction for state defined as retail sale (before only use tax on materials). Chargeback to prior fiscal year for tax received until August 10th.
BUSINESS AND OCCUPATION	Manufacturers tax credit for sales tax paid on qualified improvements.	76% surtax on basic rate repealed but same 0.44% rate is retained. Radio and TV broadcasting is taxable. Pollution credits up to 50% of cost at 2% per year.	Cut-off for new applications for pollution credits except to meet higher standards.	Tax extended to financial institutions as service.	Cut-off of manufacturers tax credits. Tax of 0.015% on businesses whose products relate to litter. First month delinquency penalty increased from 2% to 5%. 0.25% rate for nuclear fuel assemblies.
PUBLIC UTILITY		20% surtax repealed but same rates are retained: basic 3.6%; gas 2.4%; transit 0.6%; others 1.8%.			Rate for gas distribution increased from 2.4% to 3%.
GASOLINE		Rate increased from 7.5¢ to 9¢.			Special fuel tax enacted on diesel, propane and similar fuels other than motor vehicle fuel (gasoline).
CIGARETTE AND TOBACCO	Rates increased from 7¢ to 11¢ and 25% to 30%.				Cigarette tax increased from 11¢ to 16¢ per pack. Tobacco products tax increased from 30% to 45%.
ALCOHOLIC BEVERAGES	Fluid ounce tax increased from 1.1¢ to 2¢. Beer excise of \$1.50 for cans/ bottles.		Retail sales of wine permitted: 26% excise tax and 10¢ per gallon.		Fluid ounce tax rate increased from 2¢ to 4¢ per ounce.
INHERITANCE AND GIFT	Exemption for state pensions (also teachers in 1961; federal government in 1963).				Payment period is reduced from 15 months to 9 months.
INSURANCE					
ADMISSION AND AMUSEMENT					

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1972	1973	1974	1975
PROPERTY	Residential improvements up to 30% of value exempt for three years. Approval of SJR 1 constitutionally limiting all regular levies to 1%. Removal of 40% requirement for voter turnout for special levies.	Assessment level increased from 50% to 100% of true and fair value for 1975 collections. <u>Hoppe v. Kinnear</u> decision: SJR 1 effective for 1973 taxes; 20 mill maximum regular levy. Statutory levy rates: for 1974 taxes, 20 mill maximum with no state levy; for 1975 \$9.15 per \$1,000 maximum with \$3.60 state levy for schools. Current use assessment of farm lands based on net cash rental value. Administration of exemptions for nonprofit organizations transferred to state.	Inventories exempt from property tax effective in 1984. Phase-in of exemption for livestock. 8% delinquency rate. Service charge authorized for fire districts. Special levy exemption for senior citizens increased: incomes up to \$5,000 are 100% exempt; incomes \$5,000 to \$6,000 are 50% exempt; incomes up to \$4,000 are exempt from regular levies on first \$5,000 of residential value.	Deferral of taxes allowed for senior citizens with income less than \$8,000. Application fee of \$35 for nonprofit organizations is due every four years.
VEHICLE EXCISE	Pickup campers added to travel trailer excise tax; rate reduced from 2% to 1%.	Permanently affixed mobile homes subject to property tax instead of excise tax.		
OTHER TAXES IN LIEU OF PROPERTY TAX	Timber excise tax on stumpage value; initial rate 1.8%, effective 10/1/72.	Timber tax increased from 1.8% to 3.4%. Leasehold tax of 14% for pre-1970 leases; others taxed as personal property.	Timber tax increased from 3.4% to 6.5% until 12/31/78. Phase-in of distributions based on amount of timber harvested.	
RETAIL SALES AND USE	Deferral for 3 years of sales tax paid by manufacturers on plant improvements.	Local 2% hotel/motel tax for stadiums and convention centers is extended to any city or county.	Exemption for prescription drugs and returnable containers. Local 0.3% transit tax extended to any county.	Hotel/motel tax is restricted to city or county; not both. Local transit tax rates: 0.1%, 0.2%, or 0.3%. Tax is extended to government contractors.
BUSINESS AND OCCUPATION			B&O credit for personal property taxes paid on business inventories: 10% in 1974 to 100% in 1983; no credit after 1983.	Rate reduced to 0.25% for travel agents.
PUBLIC UTILITY				
GASOLINE				
CIGARETTE AND TOBACCO	Possession of unstamped cigarettes is illegal. Vietnam veterans bonus.			Exemption repealed for two cartons of unstamped cigarettes.
ALCOHOLIC BEVERAGES		26% wine tax replaced by 75¢ per gallon tax on wine wholesalers.		
INHERITANCE AND GIFT		Exemption for higher education pensions and certain annuities.		
INSURANCE				
ADMISSION AND AMUSEMENT		State mechanical devices tax is repealed. State regulation and licensing of gambling with local taxation up to 10% of gross.		

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1976	1977	1979	1980
PROPERTY	Approval of constitutional amendment permitting special levies by school districts for two years.	Phase-in of special M&O school levy limit to 10% of prior year expenditure for basic education; to be fully effective by 1981 levies. Senior citizens exemption income limits increased by \$2,000. Ratio study procedures revised; more input from assessors. Revaluation ratio repealed. Seven-year exemption for solar energy facilities.	State regular levy for schools subject to 106% limit. Senior citizen exemption increased: households with income to \$11,000 exempt from all special levies; in addition, those with incomes to \$7,000 exempt from regular levies on the first \$15,000 value of residence. Open space lands exempt from benefit assessments. Regular levy of \$0.25 authorized for emergency medical service.	Senior citizens exemption: 1/3 exclusion for social security is eliminated but income levels are increased by \$3,000; exemption for life estates. Exemption for added value of unconventional energy systems (until 1987) and for gasohol facilities. Compensating tax on open space lands shifted from buyer to seller. ----- 1% real estate excise tax is a state source as of 9/1/81.
VEHICLE EXCISE		Motor vehicle excise tax increased from 2% to 2.2%. Vehicles licensed all year.		Exemption for ride-sharing vehicles.
OTHER TAXES IN LIEU OF PROPERTY TAX	12% state tax on leases of public property; credit for up to 6% in local taxes.	PUD tax on Hanford nuclear plants changed to 1.5% of wholesale value of energy.	Timber tax reenacted from 1/1/79 to 6/30/81 at 6.5%. Fund A distributions frozen at 80% of timber roll.	Compensating tax on sold timber lands shifted from buyer to seller.
RETAIL SALES AND USE	State rate up from 4.5% to 4.6%, 6/1/76 until 7/1/77. Elimination of revenue chargeback by 1986.	State rate increase of 0.1% is continued two years until 7/1/79. Initiative 345 to exempt food for off-premises consumption approved by voters; effective 7/1/78.	State rate reverts to 4.5%, 7/1/79. Exemption for used mobile homes; but subject instead to 1% real estate excise tax. Local hotel/motel tax may be used for arts centers and tourist promotion.	Maximum transit tax in King County increased from 0.3% to 0.6% if approved by local voters. Exemptions for ride-sharing vehicles, orthotic and ostomic devices, and alcohol used in gasohol.
BUSINESS AND OCCUPATION	Surtax of 6% on all B&O tax rates, 6/1/76 until 6/30/77.	Surtax of 6% is continued two years until 7/1/79. Deduction for minor final assembly.	Surtax of 6% expired, 7/1/79. Minimum taxable amount increased from \$300 to \$1,000 per month. \$1 registration fee replaced by \$25 deposit. Rates reduced to 0.125% for soybean processors and to 0.33% for stevedores and cargo agents. Credit for energy cogeneration facilities.	Exemption for manufacturing and wholesaling of gasohol. Special excise tax on commercial processors of food fish and shellfish is transferred to Department of Revenue, 7/1/80.
PUBLIC UTILITY				Deduction for cost of power produced by cogeneration or from renewable resources.
GASOLINE		Rate increased from 9¢ to 11¢, 7/1/77. Rate may vary between 9¢ and 12¢ starting 1/1/78.	Rate increased from 11¢ to 12¢, 7/1/79. Local gas tax of 2¢ authorized for city of Seattle for bridge construction.	Exemption for alcohol used in gasohol.
CIGARETTE AND TOBACCO				
ALCOHOLIC BEVERAGES				
INHERITANCE AND GIFT			Exemption of \$100,000 for spouse or minor child; \$10,000 for Class B. Revision of Class B and C brackets. Phase-out of community property, 1981-84. Farms and small businesses valued on current use. Gift tax (1/1/80): \$40,000 lifetime exemption; tax rates same as inheritance tax schedule.	
INSURANCE			Exemption for cost of annuities.	
ADMISSION AND AMUSEMENT	\$200 state tax on coin-operated gambling devices.	Local taxes on amusement games limited to 2% of net receipts. Exemption of nonprofit bingo, etc.	Pari-mutuel tax reduced from 5% to 4% or 4.5% for certain horse races.	

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1981	1982
PROPERTY	Interest rate on delinquent property taxes increased from 8% to 12%, 7/26/81. New penalty of 11% for first-year delinquencies starting in 1982. Foreclosure period is shortened from 5 to 3 years in May 1983. Forest land values adopted by statute for 1982; to be updated by Department based on five-year average stumpage values. Exemption for nonprofit musical and artistic organizations and public assembly halls. Valuation reduction for natural disasters. Levy allowed for park and recreation service areas.	Physical inspection requirement extended to six years, if assessor follows annual updating. Items leased on long-term basis qualify as inventories. Port industrial development levy extended to 12 years. Community redevelopment program allowing public projects to be repaid by increased property tax revenues, if approved by the voters (failed). Authorization for formation of solid waste disposal districts and cultural arts, stadium and convention districts - both with limited authority. ----- State real estate excise surtax of 4%, 5/1/82, increased to 7% 8/1/82; to expire 6/30/83. Local real estate excise tax of 0.25% may be levied by cities and counties; additional 0.5% may be imposed in lieu of additional 0.5% local sales tax.
VEHICLE EXCISE		Surtax of 4%, 7/1/82, increased to 7%, 10/1/82; to expire 9/30/83. MVET distributions to cities and counties revised to partially equalize disparities in per capita local sales tax receipts.
OTHER TAXES IN LIEU OF PROPERTY TAX	Timber tax for small harvesters based on actual sales receipts instead of stumpage value tables. 6.5% timber tax rate is extended until 6/30/83.	Leasehold and PUD surtaxes: 4%, 4/1/82, increased to 7%, 7/1/82; to expire 6/30/83. Timber tax extended to timber harvested on state and federal lands.
RETAIL SALES AND USE	State rate increased from 4.5% to 5.5%, 12/4/81 - 6/30/83. Due date for monthly excise tax returns is advanced (15th of next month by April 1983). Exemption for nonprofit cultural organizations and youth groups. Manufacturers tax deferral limited to \$30 million investment per taxpayer; program to end 6/30/82. Vending machine food sales: 57% subject to tax. Revenue chargeback advanced from August 10th to July 25th in fiscal 1985.	State rate reduced from 5.5% to 5.4% and tax reimposed on food products (except food stamp purchases), 5/1/82 - 6/30/83. Cities and counties may levy up to 1.0%. Nonresidents exemption fee increased from \$1 to \$5. Credit for sales taxes paid on bad debts, effective 1/1/83. Repayment of manufacturers tax deferral advanced. Prepayment of local sales tax. Hotel/motel tax to fund state convention center: 2% tax on lodgings in King County except within Seattle which is 3% for 1982 and 5% thereafter. Municipal hotel/motel tax of 3% authorized for convention centers.
BUSINESS AND OCCUPATION	Rate changes: cigarette wholesaling increased from 0.176% to 0.44%, 7/1/81; aluminum manufacturing increased from 0.4% to 0.44%, 7/1/81 - 6/30/83; wholesaling of lentils reduced to 0.01%. Dues and charges of youth groups exempt. Deductions for nonprofit cultural organizations and kidney dialysis. Applications for pollution control credits disallowed after 11/30/81.	Surtax of 4%, 4/1/82, increased to 7%, 7/1/82; both to expire 7/1/83. Excise tax registration fee changed from \$25 deposit to \$15 fee. Voluntary estimated tax reporting allowed monthly taxpayers with quarterly reconciliation. Exemption for international banking facilities. Cogeneration credit increased from 2% to 3%. Inventory tax credits for 1983 delayed until fiscal 1984. Disposal of radioactive waste subject to tax of 30%. Municipal business taxes limited to 0.2%.
PUBLIC UTILITY	Competitive telephone services removed from utility tax and subject to B&O and sales tax. County tax of 50¢ per telephone line authorized to fund emergency communication systems.	Surtax of 4%, 4/1/82, increased to 7%, 7/1/82; both to expire 6/30/83. Rate for gas distribution increased from 3.0% to 3.6% (plus surtaxes). Tax applies to electricity sold for resale or consumption out of state. Municipal utility taxes limited to 6%.
GASOLINE	Rate increased from 12¢ to 13.5¢, 7/1/81. Variable rate range increased to 12¢-16¢.	Rate reduced from 13.5¢ to 12¢ under variable rate formula, 1/1/82. Aircraft fuel tax rate increased from 2¢ to 5¢ per gallon.
CIGARETTE AND TOBACCO	Rate increased from 16¢ to 20¢, 7/1/81.	Cigarette tax increased to 20.8¢, 5/1/82 and to 23¢, 8/1/82; tobacco products surtax of 4%, 5/1/82, increased to 7%, 8/1/82; all increases to terminate 6/30/83. Increase in wholesalers and retailers fee; revisions in Unfair Cigarette Sales Act.
ALCOHOLIC BEVERAGES	"Ounce" tax increased from 4¢ per ounce to \$1.72 per liter (equivalent to 5¢/ounce). Beer excise tax increased from \$1 or \$1.50 to \$2.60 per barrel. Wine tax changed from 75¢ per gallon to 20.25¢ per liter.	Liquor sales and liter tax surtaxes: 4%, 5/1/82, increased to 14%, 8/1/82; beer and wine surtaxes: 4%, 5/1/82, increased to 7%, 8/1/82; all increases to expire 6/30/83.
INHERITANCE AND GIFT	State inheritance and gift taxes, except for amount of federal estate tax credit, repealed by the voters 11/81, effective 1/1/82.	
INSURANCE	Advanced payment of estimated premiums tax.	Surtax of 4%, 4/1/82, to expire 6/30/83. All premiums tax rates increased by 0.16%.
ADMISSION AND AMUSEMENT		State lottery established.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1983	1984	1985
PROPERTY	Senior citizens exemption: in 1984, maximum income increased to \$15,000, value exempted increased to \$20,000; starting in 1985, two-step regular levy exemption depending upon income and residential value; annual filing eliminated. Reduced back taxes for nonprofit organizations that lose exempt status. Compensation for local taxing districts with large inventory values, 1984-87. Expanded levy authority for flood control and road service districts.	Exemption granted nonprofit cultural or art education programs. Clarification of exemption requirements. Full amount of delinquent property taxes not due until Oct. 31. Department to assess taxable boats. Current use assessment for conservation rights. Uniform eligibility requirements for senior citizens exemption and deferral.	Valuation standards for open space lands under current use assessment to be established by counties. Fire district and emergency medical service levies revised. Exceptions to school M&O levy limit extended to 1993. Improvements to certified historic properties may be exempt for 10 years.
VEHICLE EXCISE	Permanent tax rate, motor vehicle excise, 2.354%. Aircraft excise tax schedule, \$20-\$125. State excise tax on pleasure boats, 0.5% of fair market value.	Revision made to formula for distribution of MVET equalization. Power boats under 16 feet required to be registered.	Boats under 16 ft. and 10 h.p. exempt from state registration.
OTHER TAXES IN LIEU OF PROPERTY TAX	6.5% timber tax rate extended until 6/30/84. Permanent leasehold excise tax rate, 12.84%; PUD tax, 2.14% of gross revenue plus 5.35% of first 4 mills.	Phase down of timber tax from 6.5% to 5%, 1985 to 1988. County tax of 4% credited against state tax, 7/1/84.	
RETAIL SALES AND USE	State rate increased from 5.4% to 6.5% in 36 counties, effective 3/1/83 (remains at 5.4% in 3 border counties). Tax extended to telephone service except local residential service. Revenue chargeback eliminated on 6/30/85.	Maximum transit tax increased from 0.3% to 0.6%. Municipal hotel/motel tax of 3% repealed. Exemption for used floating homes. Exemption for trade-ins adopted by initiative, effective 12/06/84.	Lower state rate in 3 border counties disallowed by the Court, effective 1/1/85. Sales tax deferral programs for new manufacturing or R&D firms; applications through 1986 or 1991. Tax may be included in advertised price. Exemptions for gold bullion and feed for commercial fish raising. Use tax on rental value.
BUSINESS AND OCCUPATION	Permanent tax rates effective 7/1/83; mfg., wholesaling 0.484%; retailing 0.471% (except 0.581% in 3 border counties); insurance 1.1%; service and other 1.5%. Exemption for nonproprietary income of local government and out-of-state direct sellers. Estimated reporting for monthly taxpayers dropped and due date moved back to 25th of following month in April 1985.		Exemptions for raising of animals under contract, commercial production of fish, and all business receipts of nonprofit arts organizations. Rate reduction for meat processing. Credit for B&O taxes paid by Washington manufacturers or extractors in other states.
PUBLIC UTILITY	Permanent tax rates effective 7/1/83: most utilities, 3.852%; urban transit, 0.642%; motor transportation and other, 1.926%.		Rate increase for water distribution from 3.852% to 5.029%, 7/1/85. Activities transferred from B&O tax: sewerage, 3.852% and garbage collection, 5.029%.
GASOLINE	Rate increased from 12¢ to 16¢, 7/1/83. Variable rate calculation repealed. Minimum rate of 5¢ per gallon for aircraft fuel tax.	Rate increased from 16¢ to 18¢, 7/1/84.	
CIGARETTE AND TOBACCO	Permanent tax rate 23¢ per pack; tobacco products, 48.15%.	Revisions in Unfair Cigarette Sales Act: manufacturers' discounts passed on to retailers.	
ALCOHOLIC BEVERAGES	Permanent tax rates effective 7/1/83: liquor sales 17.1% (Class H, 11.4%); liquor liter, \$1.9608; beer excise, \$2.782 per barrel; wine excise, 21.6675¢ per liter.		
OTHER TAXES	Permanent tax rates: state real estate excise tax, 1.07%; conveyance tax, 53.5¢ per \$500; insurance premiums - domestic, 1.21%; foreign, 2.25%; ocean marine, 0.9464%. Uniform unclaimed property act adopted. Hazardous waste tax on selected industries identified by Department of Ecology.	County tax authorized for nonresident employees, 7/1/85.	Conveyance tax increased from 53.5¢ to \$1.00 per \$500. Annual assessment of 0.12% on retailers of new replacement vehicle tires for DOE. Definitional changes for fish privilege tax.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1986	1987	1988
PROPERTY	Revision to 106% limit override provisions. Clarification of historic property exemption. Interstate commerce vessels and commercial fishing boats are exempt if in the state for less than 120 days per year. Levies for school capital purposes may be for up to 6 years.	Reports no longer required: listing of exempt assembly halls, impact of open space program, revaluation progress. Adjustments to state levy clarified. Valuation of motor transportation shifted to assessor. Special M&O school levy limit raised from 10% to 20% of budget; equalization procedure established. Senior citizens exemption income limits increased. Exemptions: leased arts facilities, student loan organizations, dialysis facilities.	Head of household exemption increased from \$300 to \$3,000. State levy excluded from proration; assistance to small counties to avoid proration.
VEHICLE EXCISE		Motor vehicle excise tax increased from 2.354% to 2.454%, January 1989 through December 1990.	
OTHER TAXES IN LIEU OF PROPERTY TAX	Leasehold excise tax credit for the amount that the tax exceeds the equivalent property tax.	Timber tax minimum increased from \$10 to \$50 per quarter; special products allowed small harvester option.	
RETAIL SALES AND USE	Expansion of 1985 sales tax deferral for manufacturers and R&D. Exemptions for hearing aids, livestock for consumption, feed for animals at public livestock markets, material for producing ferrosilicon.	Exemptions for food stamp purchases, fishing boat fuel, state ferry fuel, and Christmas tree production materials. Manufacturers deferral includes aluminum plants. Corporate officers sales tax liability. Revenue chargeback (July 10th) eliminated; fiscal year accounting ends on June 30th.	Sales tax deferral for manufacturing expansions extended through FY 1994. Tax extended to prepared food items. Nonresident permit eliminated as of July 1989. State convention center tax on hotel/motels in King County increased from 5% and 2% to 6% and 2.4%, 7/1/88.
BUSINESS AND OCCUPATION	Credit of \$1,000 for each qualified new employee of manufacturing or R&D firms in distressed counties, effective 4/1/86 - 6/30/88.	Multiple activities exemption repealed; credit for manufacturing tax against selling tax. Credit for B&O tax paid in other states by manufacturers. Rate reduction for pearl barley. Exemptions for Christmas trees, conditioning of seed, processed hops, student loan organizations and adult family homes.	Total exemption for sheltered workshops.
PUBLIC UTILITY	Warehousing transferred from public utility to B&O tax. Garbage collection removed from public utility tax and subject to new tax of 3.6% collected from the customer, 6/1/86.	Sewerage collection does not include transfer and processing; these are subject to B&O tax.	
GASOLINE			
CIGARETTE AND TOBACCO	Rate increased for cigarettes, 23¢ to 31¢, and tobacco products 48.15% to 64.9% earmarked for water quality programs, effective 4/1/86. Changes in Unfair Cigarette Sales Act; to expire in 1991.	Sellers' compensation increased from \$1.85 to \$4.00 per 1,000 stamps.	
ALCOHOLIC BEVERAGES			
OTHER TAXES	Insurance premiums tax rates: 2% for both foreign and domestic companies, 0.95% for ocean marine; effective 7/1/86.	Conveyance tax repealed; incorporated with real estate excise tax with rate increase from 1% to 1.34%. Previous hazardous waste tax replaced by 0.8% tax on wholesale value of selected chemicals and other substances. Fee of \$5 on new wood stoves; collection by DOR. Local hotel/motel tax of 2% for Pierce County.	Local hotel/motel taxes authorized for Spokane, Yakima, Ocean Shores and Pierce and Thurston Counties.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1989	1990	1991
PROPERTY	Revision in exemption for retirement homes for the aged; percentage of exemption depends upon number of residents that would qualify for senior citizens exemption. Various changes that affect property tax administration including authority to pay the tax with credit cards.	Aggregate levy rates of all local taxing districts increased from \$5.55 to \$5.90/\$1000 to relieve prorationing. Special valuation of historic property extended permanently. Exemption for nonprofit shelters for homeless persons. Special levies allowed for hospital and metropolitan park districts. Personal property ratio - may use prior year assessment roll.	Senior citizen exemption income and home value limits increased. Exemption for custom computer software; canned software subject to tax for only the first two years after acquisition.
VEHICLE EXCISE		Rate reduced from 2.454% to 2.2%. Valuation schedules revised and transferred from Department of Revenue to Licensing. Local MVET of 0.8%.	
OTHER TAXES IN LIEU OF PROPERTY TAX		Leasehold tax exemption extended to "officers row" at Fort Vancouver.	
RETAIL SALES AND USE	A special use tax equal to the public utility tax rate of 3.852% is imposed on natural gas purchased from out of state via brokers.	Local sales taxes authorized: 0.1% for 6 counties for criminal justice programs and 1% for high capacity transportation funding. Monthly, rather than bimonthly, distributions of local sales tax receipts, 7/1/90.	Exemption for oxygen concentration equipment. Local sales tax (0.1%) for criminal justice extended to Yakima County. Local sales tax of 0.1% authorized for public facility districts (i.e., Spokane County).
BUSINESS AND OCCUPATION	B&O deduction for nonprofit trade shows and educational seminars.	Rate on disposal of low-level radioactive waste reduced from 33% to 16.5%, 3/13/90. Exemption for small timber harvesters. Electronic transfer of state excise tax payments for large taxpayers, starting 1/1/91.	Rate for disposal of low-level radioactive waste reduced from 16.5% to 11%, 5/20/91; further reduced to 5.5%, 1/1/92 and to 3.3%, 7/1/93. Excise tax interest rates tied to short-term federal rate: for delinquencies, +2% and for refunds, +1%.
PUBLIC UTILITY	Basic rate on electrical power increased from 3.852% to 3.873% to make up for the inability to tax power sold out of state.	Deduction for payments to builders and owners of new residences for meeting energy code requirements.	
GASOLINE		Rate increased from 18¢ to 22¢, 4/1/90; rate increased to 23¢, 4/1/91. Local gas tax authorized rate to equal 10% of state rate.	
CIGARETTE AND TOBACCO	Cigarette tax increased from 31¢ to 34¢, effective 6/1/89, with receipts earmarked for drug enforcement and education programs.	\$250 penalty for possession of unstamped cigarettes.	
ALCOHOLIC BEVERAGES	Taxes increased to fund drug programs: (1) wine tax from 21.92¢ to 22.92¢ (or 45.36¢); (2) beer tax from \$2.78 to \$4.78; (3) additional tax of 7¢ per liter on hard liquor.		
OTHER TAXES	New tax on petroleum products; 0.5% of wholesale value, effective 7/1/89. New tax of 1% on customers of solid waste collection firms, effective 7/1/89. New tax on soft drinks of 1¢ per 12 ounces (or 75¢ per gallon of concentrated syrup) effective 7/1/89 with receipts dedicated to drug programs. Assessment of 0.12% on new replacement vehicle tires is replaced with fee of \$1.00 per tire effective 10/1/89.	Wood stove fee increased from \$5 to \$15. Local employer tax of \$2 authorized. New fees on generators of hazardous waste: \$35 due 10/1/90 plus an unspecified fee, 7/31/91. Mobile home fee replaced by \$65 fee on transfer of title. \$1 lot fee to expire on 12/31/90. Local real estate excise taxes: 0.25% for comprehensive planning and 1% for acquisition of conservation lands.	New tax on crude oil and petroleum products imported via water: 5¢ per 42-gallon barrel. Air pollution fees levied by DOE upon polluters; collection by DOR. Wood stove fee increased from \$15 to \$30, 1/1/92. New tax levied upon hospitals, equal to 20% of Medicaid receipts. Pari-mutuel tax rates reduced, 5/20/91.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

1992

1993

PROPERTY	Maximum income for senior citizens exemption increased from \$18,000 to \$22,000. Renewal applications for senior citizen exemption required every four years. New category for current use assessment: farm conservation land; other changes to the program requirements.	The state to collect the state levy on commercial vessels, starting 1/1/94. Additional local levy of 50¢ to fund low-income housing programs. Various changes to the formula for exemption of homes for the aging. Exemption for nonprofit, nonsectarian fund-raising. Assessments to reflect "governmental policies," e.g., growth management requirements.
VEHICLE EXCISE	Rental cars exempt from MVET.	
OTHER TAXES IN LIEU OF PROPERTY TAX		
RETAIL SALES AND USE		Tax base extended to selected services including landscape maintenance, guided tours, rental of equipment with operator, physical fitness, massage and certain other personal services. The 0.1% local sales tax for criminal justice is extended indefinitely and the levying authority expanded to any county. Sales tax deferral for manufacturers locating in economically distressed areas broadened to include neighborhood reinvestment areas. Prescription drug exemption expanded to include birth control. Exemption for ride-sharing vehicles broadened to include passenger cars which carry as few as five persons. Provisions concerning resale certificates tightened and 50% penalty established for improper use.
BUSINESS AND OCCUPATION	Litter tax revised to allow a taxable percentage of income for an industry's litter products.	New, permanent B&O rate classifications: business services at 2.5% and financial services at 1.7%; the permanent rate for all other services increased from 1.5% to 2%, effective 7/1/93. Temporary surtax of 6.5% applied to most B&O classifications (except business and financial services, retailing, and public/nonprofit hospitals) for four years, effective 7/1/93. B&O tax extended to income of public and nonprofit hospitals; tax rate is 0.75%, 7/1/93 through 6/30/95 and 1.5% thereafter. Credit for jobs created in distressed areas broadened to include neighborhood reinvestment areas and timber impact areas. Magazines removed from printing/publishing classification. Health maintenance organizations removed from B&O tax and subject to new insurance premiums "prepayment" tax of 2%, effective 1/1/94. Exemptions established for credit/debt counseling services and foreign branch campuses.
PUBLIC UTILITY		Deduction for income relating to construction by municipal utilities is repealed.
GASOLINE		
CIGARETTE AND TOBACCO		Cigarette tax increased from 34¢ per pack: to 54¢, 7/1/93; to 56¢, 7/1/94; to 74¢, 7/1/95; and to 75¢, 7/1/96. Tobacco products tax increased from 64.9% to 74.9%, effective 7/1/93. Additional receipts dedicated to health care funding.
ALCOHOLIC BEVERAGES		Various liquor taxes increased on 7/1/93, 7/1/95 and 7/1/97, to provide funding for health care: liquor sales tax, from 17.1% to 18.7%, to 19.7% and to 20.5%; liquor sales tax (Class H purchasers), from 11.4% to 12.5%, to 13.1% and to 13.7%; liquor liter tax from \$2.031 per liter to \$2.231, to \$2.331 and to \$2.441; and beer excise tax from \$4.782 per barrel to \$5.742, to \$7.172 and to \$9.562.
OTHER TAXES	New state tax of 5.9% and authorization for county taxes of 1% levied on rental of passenger vehicles for periods less than one month. Medicaid tax on hospitals is terminated by action of federal OMB; similar tax extended to intermediate residential health care facilities for the mentally retarded.	Fish tax rates increased, effective 1/1/94. Real estate excise tax applied to transfers of the controlling interest in real property; exemption for sales to government is repealed. Local hotel/motel tax of 2% authorized for Pasco and Cowlitz County; maximum rate of tax in Yakima County increased from 2% to 3%. Tax on facilities for mentally retarded persons reduced from 15% to 6%. Insurance premiums tax credit for assessments to cover liability of insolvent companies is repealed.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1994	1995
PROPERTY	Authorization for local committee to be established in each county to determine funding of revaluation efforts. Park and recreation levies increased from 15¢ to 60¢ per \$1,000. Exemption renewals for nonprofit organizations required annually instead of every four years. Maximum income for qualified recipients of senior citizen exemption increased from \$26,000 to \$28,000; future limit tied to rate of inflation.	State levy rate reduced by 4.7% for 1996 collections only. Senior citizens exemption and deferral income levels increased. Residential values of eligible senior citizens frozen at 1/1/95 levels.
VEHICLE EXCISE		
OTHER TAXES IN LIEU OF PROPERTY TAX	Purchasers of private timber required to report pertinent data to DOR.	Short-rotation hardwoods, e.g. cottonwoods, subject to property tax instead of timber excise tax. Requirements for small timber harvester expanded.
RETAIL SALES AND USE	New sales tax deferral programs for high-technology firms for research and development facilities and pilot scale manufacturing plants. Sales tax deferral for manufacturers expanded: one new job for each \$750,000 of investment; includes leased structures, machinery with construction, locations adjacent to distressed areas if 75% of the employees live in the distressed area, areas designated by the Governor which experience natural disasters or abnormal economic impacts, etc. Exemption from tax on physical fitness services for nonprofit youth organizations. Equalization provided for local transportation sales/use tax; MVET funds to be used to provide additional funding for those districts which receive less than 80% of the state average per capita local tax.	Exemption established for machinery/equipment purchased by manufacturers, effective 7/1/95. Statewide sales tax deferral for new manufacturing firms repealed; expansion to distressed area deferral program and the 1994 high tech deferral converted to outright exemption. New 0.1% local sales tax for correctional facilities. Local sales tax authority for public facilities districts expanded to any county (formerly only Spokane). Sales tax deferral for construction of professional baseball stadium and thoroughbred horse racing track. Equalization program for local transit taxes. Funding of professional baseball stadium: local sales tax of 0.017% applied on all sales throughout King County; amounts credited against state 6.5% sales/use tax.
BUSINESS AND OCCUPATION	Minimum taxable amount of \$1,000 per month replaced by credit of up to \$35 per month against the computed tax liability. Tax credit for high-technology firms for research and development expenditures. Reduction in B&O surtax rate from 6.5% to 4.5%, effective 1/1/95. Magazines restored to printing and publishing classification. Tax credit for expenditures for ride-sharing programs by large employers in the eight largest counties.	Rate reduction for insurance agents/brokers and international investment management firms.
PUBLIC UTILITY	Tax credit for expenditures for ride-sharing programs by large employers in the eight largest counties. Deduction established for electric power firms whose customers are geographically dispersed.	
GASOLINE	Exemption for gasohol repealed.	
CIGARETTE AND TOBACCO	The 3¢ rate for drug education is increased to 10.5¢, effective 7/1/95.	Administrative revisions for cigarette tax collection; precollection of the tax by wholesalers, stamps required for nontaxed cigarettes for Indian consumption; requirements for transporting cigarettes tightened.
ALCOHOLIC BEVERAGES	Liquor taxes that fund drug education are extended indefinitely.	
OTHER TAXES	Tax on carbonated beverages allowed to expire as scheduled on 7/1/95; however, the tax on "syrup" for carbonated beverages will then be extended indefinitely and the rate increased from 75¢ to \$1.00 per gallon. Local hotel/motel taxes authorized for Snohomish County and the city of Ilwaco. New fee established on metals mining and processing; DOR to administer.	Two new local taxes in King County to fund professional baseball stadium: 0.5% tax on restaurant/bar sales and additional 2% car rental tax. King County may levy a 10% admissions tax on professional baseball stadium events. New tax of 2% on hotels/motels within Seattle adopted to finance expansion of convention center, effective 1/1/2000; tax credited against state sales tax. Various new local hotel/motel taxes authorized.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

1996

1997

PROPERTY		State levy rate reduction of 4.7187% extended to 1997. Referendum 47 approved by the voters in November 1997. It will: (1) limit future increases in assessed values of real property generally to 15% per year; (2) reduce the 6% limitation on growth in regular levy receipts for most taxing districts to the rate of inflation; and (3) permanently extend the 4.7187% reduction in the state levy rate. New exemption for parcels of real property and personal property accounts valued at less than \$500. Allowable uses of exempt public assembly halls or meeting places are broadened. Exemption for intangibles is clarified and certain types of intangibles are specifically included in the exemption (e.g., trademarks, patents, etc.), effective for valuations starting on 1/1/98. Exemption for certain sales at nonprofit camps and conference centers. Authorization for four-year M&O school levies approved by the voters in November 1997.
VEHICLE EXCISE		
OTHER TAXES IN LIEU OF PROPERTY TAX		
RETAIL SALES AND USE	Manufacturing machinery exemption expanded to include repairs and R&D equipment. Exemption for materials used in design and development of aircraft parts. Distressed areas sales tax deferral/exemption expanded to cover counties with low median household income.	Remittance for state sales tax paid on construction and equipment purchased for use in certain large warehouse facilities and retail distribution centers. New exemptions for coal-fired, electric generating plants (Centralia) including construction and repair of air pollution control facilities and coal consumed in such facilities. Retail sales tax on mobile homes to be collected by the retail dealer rather than the county auditor. Exemption for certain sales at nonprofit camps and conference centers. New local sales/use tax of 0.04% authorized for economically distressed rural counties, effective 7/1/98; receipts are credited against state sales/use tax. Use tax exemptions for vessel manufacturers and dealers allowing incidental (but not personal) use of boats. Financing of professional football stadium: effective 8/1/97 a new local sales/use tax of 0.016% will apply to transactions in King County with the receipts credited against the state tax. Also, sales tax will be deferred on construction costs and parking at the facility will be exempt from sales tax.
BUSINESS AND OCCUPATION	Permanent service classification rates reduced, effective 1/1/96: business services from 2.5% to 2%; financial services from 1.7% to 1.6% and all other services from 2% to 1.75% (plus surtax). B&O jobs credit doubled to \$2,000 per FTE. New tax credit for training costs of employers in distressed areas. Expansion of tax credits for ride-sharing expenditures of employers. Small firms need not file tax returns unless annual income equals or exceeds \$24,000.	Complete rollback of all B&O service rates to 1.5%, effective 7/1/98, thereby reversing the 1993 rate increases. B&O jobs credit is increased from \$2,000 to \$4,000 if firms can demonstrate that the new positions are paid at least \$40,000 annually. Jobs credit expiration date (7/1/98) is repealed and the \$300,000 cap per firm is eliminated; program limit of \$15 million per biennium is reduced to \$11 million for 1997-99. Simplified small business credit, allowing use of a ranged table instead of calculating the \$35 credit amount. Cubing of hay and alfalfa is removed from manufacturing tax. Exemption for vehicles sold by manufacturers at wholesale auto auctions.
PUBLIC UTILITY	Tax rate for railroads reduced from 3.852% to 1.926% (including surtax). Expansion of tax credits for ride-sharing expenditures of employers. Deduction expanded for power companies with geographically dispersed customers. Small firms with annual incomes of less than \$12,000 don't have to register for tax purposes; tax returns need not be filed unless annual income equals or exceeds \$24,000.	Exemption for small water districts with high rates for residential water service.
GASOLINE		
CIGARETTE AND TOBACCO		Enforcement (not collection) of cigarette and tobacco products taxes transferred from DOR to Liquor Control Board.
ALCOHOLIC BEVERAGES		Beer excise tax rate reduced by \$1.48 per barrel.
OTHER TAXES	New local hotel/motel taxes authorized.	Revision in local hotel/motel taxes; instead of state-shared 2% tax plus specified additional taxes of 2% - 3%, <u>any</u> city or county may levy up to 4% with credit against the state tax limited to 2%. Collection of metals mining fee transferred from DOR to DOE. Revision in application of interest for excise taxes. New local taxes for financing a professional football stadium: extension of hotel/motel tax; county admission tax of 5%; and county tax of 10% on parking.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1998	1999	2000
PROPERTY	Senior citizens exemption income and valuation limits are increased for taxes due in 1999. Valuation of commercial vessels and steamboat companies revised.	Local regular levies for medical services extended. New exemption for low-income rental housing owned by nonprofits.	Property tax exemption for motor vehicles clarified. Initiative 722 approved by voters: limits increase in taxes for individual properties and growth in taxing district revenues; ruled unconstitutional in 2001.
VEHICLE EXCISE	Proposed reduction in MVET if voters approve Referendum 49 in November 1998: a credit of \$30 per vehicle would be allowed and the depreciation schedule for taxable vehicle values would be reduced in the second and third years.	Motor vehicle excise tax repealed by the voters (I-695), eff. 1/1/2000.	Although I-695 was ruled unconstitutional, the Legislature also replaced the MVET and camper/travel trailer excise taxes with a \$30 license fee.
OTHER TAXES IN LIEU OF PROPERTY TAX		Timber tax credit, effective 1/1/2000, for harvests impacted by salmon regulations. The credit effectively reduces the tax from 5% to 4.2%.	
RETAIL SALES AND USE	Elimination of requirement for purchasers of exempt manufacturing machinery to report to the Department. Taxation of computer software is clarified. Comprehensive exemption for fundraising income of nonprofit organizations. Repayment of deferred sales tax on horse racing facility extended by five years. Four-year deferral of sales tax allowed for construction of second bridge across Puget Sound at the Narrows.	Sales tax exemption for manufacturing machinery clarified with respect to logging and rock crushing equipment; exemption extended to testing equipment. Distressed area sales tax deferral/exemption program changed from unemployment basis to population density basis. Authorization for local sales tax (credited against the state tax) of 0.04% changed from unemployment basis to population density basis; maximum rate increased to 0.08%. New local sales tax of 0.2% authorized for public facility districts to finance convention centers; also state-credited 0.033% sales tax. New local sales tax of 0.1% authorized in Pierce County to finance zoos. Exemption for costs related to certain landslides.	Exemption for agricultural field burning equipment. One additional community empowerment zone authorized. Maximum local sales tax for transit increased from 0.6% to 0.9%.
BUSINESS AND OCCUPATION	Consolidation of specialized B&O tax rates: 0.011% rate for grain wholesaling eliminated and other activities shifted to lower rates, effective 7/1/98. Tax on internal distributions repealed, effective 7/1/98. Tax on royalty income reduced from 1.5% to 0.484%, effective 7/1/98. New tax credit of \$3,000 annually for five years for new employees of firms engaged in international services. Comprehensive exemption for fundraising income of nonprofit organizations. Exemption for wages paid to on-site personnel by property management firms, if paid by the property owner.	Existing B&O jobs credit in distressed areas changed to population density basis. New tax credit for employees that produce computer software in rural counties. New tax credit for income derived in rural counties from providing help-desk services to third parties. Existing tax credit for commute trip reduction program extended by six years to 6/30/2006.	Deduction for wholesale sales of electric power.
PUBLIC UTILITY		Tax credit for certain contributions by electric power companies in rural counties relating to economic development.	Deduction for wholesale sales of electric power.
GASOLINE			
CIGARETTE AND TOBACCO			
ALCOHOLIC BEVERAGES			
OTHER TAXES	Litter tax will be reported on each tax return filed by taxpayers, rather than annually, starting 1/1/99. Collection of enhanced 911 telephone tax shifted to Department of Revenue, effective 1/1/99. Reduction in pari-mutuel tax rates.	Real estate excise tax extended to step transfers. Fish tax rate on sea urchins/cucumbers increased.	

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	2001	2002	2003
PROPERTY	Farm machinery exempt from state levy. DOR to collect deferred property taxes by eligible senior citizens, instead of county treasurers. Authorization for community revitalization (tax increment) financing using local taxing district levies; does not apply to state levy. Voters approve Initiative #747 limiting growth in regular levies to 1% each year.		
VEHICLE EXCISE			
TAXES IN LIEU OF PROPERTY TAX	Timber tax exemption - growing cycle for exempt hardwoods extended from 10 to 15 years.	Local MVET of 2.5% authorized to finance monorail system. Voters approve Initiative #776 repealing local MVET for mass transit.	
RETAIL SALES AND USE	Change regarding resale certificates for certain taxpayers - collection of information electronically. Direct pay permits for remitting of use tax by certain taxpayers. Exemption for pharmaceuticals for livestock. Exemptions for chicken producers - fuel for heating and bedding materials. Exemptions for dairy producers - nutrient management systems and manure digesters. Exemption for pollution control equipment for electrical "peaking" plants.	New local taxes authorized: 0.1% for emergency communication systems and 0.5% for regional transportation improvements. Proposed 1% sales tax on motor vehicles to finance statewide transportation improvements defeated by the voters.	Rate increased by 0.3% for sales and leases of new and used motor vehicles, effective 7/1/2003. Implementation of major provisions of Streamlined Sales Tax Agreement, making Washington's tax base more uniform with other states. New exemptions for construction and computer expenses of airplane manufacturers. New exemptions for construction and certain chemicals of semiconductor manufacturers. New exemptions for producers and sellers of biodiesel and wood biomass alternative fuels.
BUSINESS AND OCCUPATION	Rate reduction for processors of dairy products. Deduction for public and nonprofit hospitals for Medicare income from managed care organizations. Exemption for used vehicles sold at wholesale auto auctions; auto dealers to collect B&O tax on "courtesy" sales made by out-of-state dealers. Tax credit for public utility tax paid by direct service industries.		Due date advanced five days for monthly state excise tax reports to 20th of following month. Tax credit for commute trip reduction restored. Rate reduction and new tax credits for aerospace industry, relating to production of a "super efficient" airplane. Rate reduction and tax credit for new employees for the semiconductor industry.
PUBLIC UTILITY	Tax credit for tax paid by electric utilities that service direct service industries. Tax credit for electric and gas utilities for billing discounts to low-income households. Deduction for expenditures for water efficiency.		Tax credit for commute trip reduction restored.
GASOLINE		Proposed increase in gas tax from 23¢ to 32¢ defeated by the voters.	Rate increased from 23¢ to 28¢, effective 7/1/2003.
CIGARETTE AND TOBACCO	Authorization for the state to enter into contractual agreements with certain Indian tribes providing for tribal cigarette taxes. Voters approve Initiative #773 increasing cigarette tax to \$1.425 and tobacco products tax to 129.4%.		New reporting requirements for manufacturers of tobacco products and out-of-state vendors selling to Washington residents.
ALCOHOLIC BEVERAGES			
OTHER TAXES		Wireless telephone lines: new state tax of 20¢ per month and county tax increased from 25¢ to 50¢ per month. New local real estate excise tax of 0.5% authorized for affordable housing.	New fee for nursing homes of \$6.50 per patient per day; DOR to collect. New local lodging fee of \$2 per night; DOR to collect.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	2004	2005
PROPERTY	Increase in income and assessed value limits for senior citizens/disabled persons property tax exemption. New property tax levy of 50¢ authorized for criminal justice funding, but only for counties with up to 90,000 residents. Fire districts authorized to form regional fire protection service authorities.	New exemption program for widows/widowers of veterans, similar to senior citizens/disabled persons property tax exemption.
VEHICLE EXCISE		
TAXES IN LIEU OF PROPERTY TAX	Phase-out of state timber tax on public lands; commensurate phase-in of county tax, so that by 2014 the state and county taxes on both private and public lands will be identical. Property tax exemption for standing timber extended to timber on state lands (private and federal lands are already exempt).	
RETAIL SALES AND USE	Deferral of sales tax on construction of eligible R&D facilities and equipment for firms in five "high technology" industries extended to end of 2014; also state universities are added to the program. Deferral of sales tax on eligible construction and equipment purchases by manufacturers in rural counties and CEZs extended by six years until end of FY 2010; also Island County added to the program. Tax credits for sales tax paid by aluminum smelters through 2006. New exemptions for computer equipment used by printers and publishers.	Deferral/exemption extended to fruit and vegetable processing and cold storage facilities. Expansion of the existing tax remittance program for cold storage warehouses. Existing sales and property tax exemptions and B&O tax credits for field burning equipment are replaced by a new sales tax exemption for specific types of agricultural equipment.
BUSINESS AND OCCUPATION	Tax credit for R&D expenditures by firms in five "high technology" industries extended until end of 2014; calculation of the amount of credit is revised. Tax credits for computer software development firms and help-desk services that locate in rural counties extended through 2010. Tax rate reduced for licensed adult boarding homes from 1.5% to 0.275%; deduction allowed for Medicaid receipts. Tax rate reduced from 0.484% to 0.2904% for aluminum smelters through 2006. Tax credit for property taxes paid by aluminum smelters through 2006. Tax credits for firms that supply power to aluminum smelters. New exemptions established for federal grant receipts related to the small business innovation research program and the small business technology transfer program. Deduction allowed for wholesale meat processors exempting all income associated with processing beef, as long as certain import bans by other counties remain in effect. Deduction for governmental grants associated with salmon restoration programs.	New B&O tax on games of chance and pari-mutuel wagering to fund problem gambling program; tax rate is 0.1% through FY 2006, then 0.13%. Total exemption for income related to processing fresh fruit and vegetables, if the products are shipped outside the state. B&O rate reduction for manufacturing of solar energy systems; rate drops from 0.484% to 0.2904% for a ten-year period.
PUBLIC UTILITY	Tax credit for electric companies for contributions to rural economic development is extended by six years to 2011; various other changes to the program. Tax credits for purchases of power by aluminum smelters.	New tax incentive to encourage use of renewable energy resources; customers that invest in such technologies may receive an investment cost recovery of up to \$2,000 from the energy supplier, who in turn may credit these payments against public utility tax liability.
GASOLINE		Phased-in increase in gas tax: from 28 cents to 31 cents, 7/1/2005; to 34 cents, 7/1/2006; to 36 cents, 7/1/2007; and to 37.5 cents, 7/1/2008. Aircraft fuel tax rate increased from 10 cents to 11 cents per gallon.
CIGARETTE AND TOBACCO		Increase of 60 cents in cigarette tax, bringing total to \$2.025 per pack. Tobacco products tax rate rolled back from 129.42% of the wholesale price to 75%, with a maximum tax of 50 cents per cigar. New type of cigarette tax agreement with the Puyallup tribe in which the state will receive 30% of the tribal tax receipts.
ALCOHOLIC BEVERAGES		Liquor liter tax increased from \$2.44 to \$3.77 per liter.
OTHER TAXES	Gift certificates exempt from reporting as unclaimed property.	Washington's estate tax, consisting of the federal estate tax credit for state estate taxes, was ruled unconstitutional by State Supreme Court on 2/3/2005. A new stand-alone estate tax was enacted, effective 5/17/2005. Nursing home quality maintenance fee (\$6.50 per patient per day) phased out over six years; the fee will be repealed on 7/1/2011. Changes in reporting of state real estate excise tax by counties; development of new electronic reporting system and receipts to be forwarded to State Treasurer on last day of the month starting in July 2006. New fee of \$1 per tire on replacement vehicle tires; starts July 2005 and runs for five years.

Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

2006

PROPERTY	Exemption for personal property of heads of households is increased from \$3,000 to \$15,000 if HJR 4223 is approved by the voters. Increased assessed value of wind turbines exempt from levy limits. Levy for passenger ferry service broadened to any ferry service.	
VEHICLE EXCISE		
OTHER TAXES IN LIEU OF PROPERTY TAX	Local MVET authorized for regional transp. investment district. New statutory depreciation schedules for local motor vehicle excise taxes.	
RETAIL SALES AND USE	Exemption for diesel and aircraft fuel used on farms. Exemption for nutrient mgmt. systems extended to all livestock feeding facilities. Exemption for aluminum smelters extended for five years. Exemption for aerospace computer purchases broadened. Exemption for solar hot water heating equip. New deferral/exemption for biotechnology manufacturing facilities. Exemption for gasses and chemicals for producers of semiconductor materials broadened. Clarification of sales tax on services for insurance companies. Deferral/exemption program for fruit vegetable processors extended to processors of dairy and seafood products. Tax increment financing: (1) new state-credited local sales tax for infra-structure financing related to hospital benefit zones, and (2) new state-credited local sales tax for local infrastructure financing relating to economic development. Max. rate for local sales tax for regional transp. investment district reduced to 0.1%. New local sales tax to finance municipal services in annexation areas. Exemption for equipment to facilitate use of auxiliary power by heavy duty truckers at truck stops.	
BUSINESS AND OCCUPATION	Due date for monthly excise taxpayers moved back five days to the 25th of the following month. Reduced tax rate and credit for property taxes for aluminum smelters extended for five years. Reduced tax rate for manufacturing semiconductor materials broadened. Tax credits for aerospace manufacturing and aircraft repair broadened. Exemption for processors of fruit and vegetables will now expire on 7/1/2012, but is expanded to manufacturers of dairy and seafood products. Reduced tax rate for services performed for canners of salmon. Tax credit for workforce training costs. Deduction for income associated with sales of auxiliary power to heavy duty truckers at truck stops. B&O tax credit for the \$1.00 per gallon tax paid on syrup to produce carbonated beverages. Tax credit for contributions to motion picture competitiveness program. Reduced tax rate for timber and wood products; new surtax of 0.052% to finance riparian habitat.	
PUBLIC UTILITY	Credit for billing discounts increased for FY 2007 only. Deduction for income associated with municipal transit service.	
GASOLINE		
CIGARETTE AND TOBACCO		
ALCOHOLIC BEVERAGES		
OTHER TAXES	Expiration of petroleum products tax (not currently imposed) moved back to 6/1/2013. Regional transp. investment district may levy surcharge on state rental car tax. Nursing home fee (currently \$5.25 per patient per day) is repealed, 7/1/2007.	