

REVENUE Impact of Revenue Alternatives

September 2022 Forecast

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

Prepared by Research & Fiscal Analysis - February 2023

#	Description of Alternative	# of Impacted Taxpayers	Effective Date ²	State General Fund REVENUE Impact ¹ (\$ millions)								
				FY 2024	FY 2025	2023-25 Biennium	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
RETAIL SALES/USE TAX - Rate Increase												
1	Increase state rate from 6.5% to 6.6%	221,000	1/1/2024	\$87.1	\$233.9	\$321.0	\$242.4	\$251.3	\$493.7	\$262.4	\$273.2	\$535.6
2	Increase state rate from 6.5% to 7.0%	221,000	1/1/2024	\$433.4	\$1,164.1	\$1,597.5	\$1,206.9	\$1,251.6	\$2,458.5	\$1,306.3	\$1,360.1	\$2,666.4
3	Increase state sales tax rate on prepared food from 6.5% to 7.0%	14,500	1/1/2024	\$27.3	\$67.8	\$95.1	\$70.2	\$72.8	\$143.0	\$82.3	\$92.4	\$174.7
RETAIL SALES/USE TAX - Tax Base Expansion (except services)												
4	Shift sewerage and refuse collection to retailing B&O tax and retail sales tax	400	1/1/2024	\$13.0	\$44.6	\$57.6	\$47.8	\$51.4	\$99.2	\$55.2	\$59.4	\$114.5
5	Repeal sales tax exemption for motor vehicle fuel (RCW 82.08.0255)	1,900	1/1/2024	\$270.4	\$642.2	\$912.6	\$650.8	\$667.2	\$1,318.0	\$678.5	\$690.5	\$1,369.0
6	Repeal warehouse-grain elevator-distribution center sales & use tax remittance (82.08.820; 82.12.820)	50	1/1/2024	\$4.3	\$8.7	\$13.0	\$8.7	\$8.7	\$17.4	\$8.7	\$8.7	\$17.4
7	Repeal sales tax exemption for food and food ingredients (82.08.0293; 82.12.0293)	97,200	1/1/2024	\$546.0	\$1,323.0	\$1,869.0	\$1,336.0	\$1,350.0	\$2,686.0	\$1,364.0	\$1,378.0	\$2,742.0
8	Repeal sales tax exemption for food products baked and sold onsite (82.08.0293(2)(c)(iii)(C)); 82.12.0293(2)(c)(iii)(C))	5,000	1/1/2024	\$13.9	\$34.5	\$48.4	\$35.7	\$37.0	\$72.7	\$38.1	\$39.3	\$77.4
9	Require full sales tax on all vending machine items sold	200	1/1/2024	\$0.6	\$1.4	\$2.0	\$1.4	\$1.5	\$2.9	\$1.5	\$1.6	\$3.1
10	Repeal sales tax exemption for labor and services on public road construction	525	1/1/2024	\$4.4	\$26.8	\$31.2	\$40.8	\$55.1	\$95.9	\$55.7	\$56.2	\$111.9
11	Repeal sales and use tax exemptions for OTC drugs purchased with a prescription	1,900	1/1/2024	\$16.7	\$41.0	\$57.7	\$42.0	\$42.9	\$84.9	\$43.9	\$44.9	\$88.8
12	Narrow the retail sale exclusion for ingredients and components and add a primary purpose test	1,760	1/1/2024	\$20.4	\$49.2	\$69.5	\$50.6	\$51.9	\$102.5	\$52.8	\$53.9	\$106.7
13	Extend sales tax to admissions charges	47,000	1/1/2024	\$21.0	\$52.0	\$73.0	\$53.7	\$55.5	\$109.2	\$57.3	\$59.1	\$116.4
14	Repeal exemption for audio/video programming [RCW 82.08.0208(5)]	20	1/1/2024	\$30.8	\$69.9	\$100.7	\$66.1	\$62.4	\$128.5	\$59.0	\$55.7	\$114.7
15	Narrow the bad debts deductions for retail sales tax and B&O tax	46,000	1/1/2024	\$14.0	\$34.9	\$49.0	\$36.4	\$37.8	\$74.2	\$39.3	\$40.9	\$80.3
Machinery and equipment (M&E) exemption:												
16	Repeal sales tax exemption for manufacturing machinery & equipment (M&E)	15,000	1/1/2024	\$149.7	\$363.4	\$513.1	\$374.0	\$382.9	\$756.9	\$391.9	\$401.3	\$793.2
17	Limit M&E exemption to machinery and equipment used exclusively for manufacturing	12,000	1/1/2024	\$13.4	\$32.3	\$45.8	\$33.3	\$34.1	\$67.5	\$35.0	\$35.8	\$70.8
Trade-in exclusion:												
18	Repeal trade-in exclusion for all products from sales tax - RCW 82.08.010(1)	1,200	1/1/2024	\$103.4	\$250.6	\$353.9	\$256.7	\$263.3	\$520.0	\$270.2	\$277.0	\$547.1
19	Trade-in exclusion - limit ALL trade-ins to \$10,000	1,200	1/1/2024	\$31.2	\$75.5	\$106.7	\$77.4	\$79.4	\$156.8	\$81.4	\$83.5	\$164.9
Farm consumables:												
20	Repeal exemption for replacement parts and repair services	3,600	1/1/2024	\$3.6	\$8.8	\$12.3	\$9.0	\$9.3	\$18.4	\$9.6	\$9.9	\$19.5
21	Repeal exemption for fertilizers, sprays, and washes sold to farmers - RCW 82.04.050(10)	12,000	1/1/2024	\$30.8	\$77.5	\$108.3	\$81.4	\$85.4	\$166.8	\$89.7	\$94.2	\$183.9
22	Repeal exemption for leased irrigation equipment	700	1/1/2024	\$1.2	\$2.9	\$4.0	\$2.9	\$3.0	\$6.0	\$3.1	\$3.2	\$6.3
23	Repeal exemption for diesel, biodiesel, and aircraft fuel for farm use	800	1/1/2024	\$13.0	\$35.4	\$48.4	\$37.3	\$39.3	\$76.6	\$41.4	\$43.7	\$85.1
24	Repeal exemption for propane for heating chicken barns	140	1/1/2024	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.4	\$0.2	\$0.2	\$0.4
25	Repeal exemption for farm equipment auction sales	1,200	1/1/2024	\$1.3	\$3.1	\$4.4	\$3.2	\$3.2	\$6.4	\$3.3	\$3.4	\$6.7
26	Limit exemption for fertilizers, sprays, or washes to approved organic products only	1,600	1/1/2024	\$24.6	\$62.0	\$86.6	\$65.1	\$68.3	\$133.4	\$71.7	\$75.3	\$147.0
27	Repeal exemption for chicken bedding materials	60	1/1/2024	\$0.2	\$0.5	\$0.7	\$0.5	\$0.5	\$1.0	\$0.5	\$0.5	\$1.1

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#	Description of Alternative	# of Impacted Taxpayers	Effective Date ²	State General Fund REVENUE Impact ¹ (\$ millions)								
				FY 2024	FY 2025	2023-25 Biennium	FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium
RETAIL SALES/USE TAX - Extend retail sales tax to services												
28	Extend retail sales tax to all services	174,000	1/1/2024	\$2,438.6	\$6,315.0	\$8,753.6	\$6,797.0	\$7,126.0	\$13,923.0	\$7,419.0	\$7,724.0	\$15,143.0
29	Extend retail sales tax to custom software	11,600	1/1/2024	\$38.0	\$106.8	\$144.8	\$112.1	\$117.4	\$229.5	\$122.3	\$127.3	\$249.6
30	Extend retail sales tax to construction and property management services	6,500	1/1/2024	\$5.7	\$14.5	\$20.2	\$15.2	\$15.9	\$31.1	\$16.6	\$17.3	\$33.9
31	Extend retail sales tax to temporary staffing services	1,350	1/1/2024	\$63.8	\$160.9	\$224.7	\$168.9	\$177.1	\$346.0	\$184.3	\$191.9	\$376.2
32	Extend retail sales tax to janitorial services	17,000	1/1/2024	\$24.4	\$61.5	\$85.9	\$64.5	\$67.7	\$132.2	\$70.4	\$73.3	\$143.7
33	Eliminate "business purpose" exemption for digital goods	100	1/1/2024	\$0.2	\$0.5	\$0.7	\$0.5	\$0.5	\$1.0	\$0.5	\$0.5	\$1.1
BUSINESS & OCCUPATION TAX - Rate Increases												
Increase B&O tax rate:												
34	Increase retailing B&O tax from 0.471% to 0.484% - RCW 82.04.250(1)	200,000	1/1/2024	\$15.2	\$37.8	\$53.0	\$39.4	\$41.0	\$80.4	\$42.7	\$44.4	\$87.1
35	Increase manufacturing rate for petroleum fuels to 1%	10	1/1/2024	\$17.3	\$40.5	\$57.8	\$40.9	\$42.1	\$83.0	\$42.7	\$43.4	\$86.1
Preferential B&O Tax Rates:												
36	Eliminate all preferential B&O tax rates, excluding radioactive waste clean-up	9,600	1/1/2024	\$98.7	\$245.6	\$344.3	\$256.6	\$268.3	\$524.9	\$279.7	\$292.0	\$571.7
37	Reduce benefit of preferential B&O tax rates by 25%, excluding radioactive waste clean-up	9,600	1/1/2024	\$24.7	\$61.4	\$86.1	\$64.1	\$67.1	\$131.2	\$69.9	\$73.0	\$142.9
38	Repeal preferential B&O tax rate for meat processors	250	1/1/2024	\$10.4	\$25.5	\$35.9	\$26.2	\$26.9	\$53.1	\$27.5	\$28.3	\$55.8
39	Repeal preferential B&O tax rate for international investment management services	10	1/1/2024	\$0.3	\$0.8	\$1.1	\$0.8	\$0.9	\$1.7	\$0.9	\$1.0	\$1.9
40	Repeal preferential rate for prescription drug wholesalers	26	1/1/2024	\$11.6	\$28.4	\$40.0	\$29.0	\$29.6	\$58.6	\$30.2	\$30.9	\$61.1
41	Repeal preferential rate for broadcasters in RCW 82.04.280(1)(f)	150	1/1/2024	\$1.2	\$3.0	\$4.2	\$3.2	\$3.3	\$6.5	\$3.5	\$3.7	\$7.1
BUSINESS & OCCUPATION TAX - Tax Base Expansion												
42	Repeal deduction for federal and state tax on motor fuel	1,800	1/1/2024	\$6.0	\$14.3	\$20.3	\$14.5	\$14.9	\$29.4	\$15.1	\$15.4	\$30.5
43	Repeal exemption for shared real estate commissions - RCW 82.04.255	9,700	1/1/2024	\$1.1	\$2.9	\$4.0	\$3.0	\$3.2	\$6.2	\$3.4	\$3.6	\$7.1
44	Repeal deduction for membership fees and dues - RCW 82.04.4282	140	1/1/2024	\$0.8	\$2.1	\$3.0	\$2.2	\$2.3	\$4.5	\$2.4	\$2.6	\$5.0
45	Repeal B&O tax deduction for first mortgage interest	300	1/1/2024	\$28.6	\$72.0	\$100.6	\$75.7	\$79.6	\$155.3	\$83.7	\$87.9	\$171.6
46	Limit B&O tax deduction for tuition fees to non-profit educational institutions	200	1/1/2024	\$0.6	\$1.5	\$2.1	\$1.6	\$1.7	\$3.2	\$1.7	\$1.8	\$3.6
47	Repeal B&O tax exemption for state-chartered credit unions	50	1/1/2024	\$0.1	\$0.3	\$0.4	\$0.4	\$0.4	\$0.8	\$0.5	\$0.6	\$1.1
48	Impose service B&O tax on gross income from long-term real estate rentals	25,000	1/1/2024	\$6.8	\$34.2	\$41.0	\$54.1	\$76.3	\$130.4	\$80.8	\$85.4	\$166.2
49	Repeal B&O tax exemption for cities that share sewer services	100	1/1/2024	\$1.2	\$2.9	\$4.1	\$3.0	\$3.1	\$6.1	\$3.2	\$3.3	\$6.6
50	Close B&O tax loophole that allows out-of-state printers to sell into WA without paying B&O tax	1,500	1/1/2024	\$0.5	\$2.6	\$3.1	\$3.9	\$5.2	\$9.1	\$5.2	\$5.3	\$10.5
51	Overturn the <i>Agrilink</i> decision & similarly limit the B&O tax exemption for processing seafood, fresh fruits and vegetables	200	1/1/2024	\$11.1	\$26.8	\$37.9	\$27.6	\$28.4	\$56.0	\$29.3	\$30.2	\$59.5
52	Close the nonresident manufacturer loophole	1,200	1/1/2024	\$0.5	\$2.4	\$2.9	\$3.5	\$4.3	\$7.8	\$4.5	\$4.6	\$9.0
53	Close the affiliating buying entity loophole for manufacturers	500	1/1/2024	\$1.5	\$5.5	\$7.0	\$7.6	\$9.7	\$17.3	\$9.9	\$10.2	\$20.1
54	Narrow the first mortgage interest deduction so that internet banks do not qualify	220	1/1/2024	\$18.8	\$47.4	\$66.2	\$49.9	\$52.4	\$102.3	\$55.1	\$57.9	\$113.0
55	Eliminate B&O tax deductions for investment conduits, securitization entities, and affiliated transactions of financial institutions	35	1/1/2024	\$8.2	\$20.6	\$28.8	\$22.5	\$24.0	\$46.5	\$24.0	\$24.0	\$48.0
56	Digital advertising tax (Maryland)	1,500	1/1/2024	\$13.0	\$33.0	\$46.0	\$34.0	\$221.0	\$255.0	\$261.0	\$288.0	\$549.0
57	Digital advertising tax – select advanced computing businesses	50	1/1/2024	\$8.0	\$21.0	\$29.0	\$22.0	\$141.0	\$163.0	\$167.0	\$185.0	\$352.0

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58	Tax on Digital Advertising – Eliminating DAS Exclusion	1,500	1/1/2024	\$23.0	\$59.0	\$82.0	\$62.0	\$399.0	\$461.0	\$471.0	\$520.0	\$991.0
59	Tax on Digital Advertising – Digital Advertising Profiles	1,500	1/1/2024	\$0.8	\$2.1	\$2.9	\$2.2	\$14.0	\$16.2	\$16.5	\$18.3	\$34.8
B&O Tax Exemption for Farmers:												
60	Repeal B&O tax exemption for all farmers	36,000	1/1/2024	\$23.8	\$58.9	\$82.8	\$60.7	\$62.5	\$123.2	\$64.4	\$66.3	\$130.7
61	Repeal B&O tax exemption for farmers whose annual gross income exceeds \$200,000	4,000	1/1/2024	\$22.9	\$56.5	\$79.3	\$58.2	\$59.9	\$118.1	\$61.7	\$63.6	\$125.3
OTHER TAXES												
Cigarette Tax:												
62	Increase cigarette tax by 50 cents per pack	4,000	1/1/2024	\$9.3	\$22.2	\$31.5	\$22.0	\$21.7	\$43.7	\$21.4	\$21.1	\$42.5
63	Increase cigarette tax by \$1.00 per pack	4,000	1/1/2024	\$16.5	\$39.6	\$56.2	\$39.4	\$39.0	\$78.3	\$38.6	\$38.2	\$76.8
Estate Tax:												
64	Increase graduated estate tax rate ³	2,000	1/1/2024	\$0.0	\$128.9	\$128.9	\$177.7	\$187.8	\$365.5	\$192.6	\$195.4	\$388.0
Leasehold Excise Tax:												
65	Narrow the exemption for low-dollar leases [RCW 82.29A.130(8)]	1,400	1/1/2024	\$0.007	\$0.007	\$0.014	\$0.007	\$0.008	\$0.015	\$0.008	\$0.008	\$0.0
Oil Spill Tax:												
66	Oil spill tax - from 5 cents per barrel to 10 cents per barrel	30	1/1/2024	\$2.7	\$6.4	\$9.1	\$6.4	\$6.4	\$12.8	\$6.4	\$6.4	\$12.8
Public Utility Tax:												
67	10% surtax on all PUT rates	11,000	1/1/2024	\$22.9	\$55.8	\$78.6	\$57.6	\$59.3	\$116.9	\$61.0	\$62.8	\$123.9
68	25% surtax on all PUT rates	11,000	1/1/2024	\$57.2	\$139.4	\$196.6	\$144.0	\$148.2	\$292.3	\$152.6	\$157.1	\$309.6
69	PUT on motor/urban transportation and log hauling - increase to 3.852%	10,000	1/1/2024	\$37.2	\$91.0	\$128.3	\$92.9	\$95.0	\$187.8	\$97.1	\$99.2	\$196.3
70	PUT on urban transportation and vessels - increase to 1.926%	3,000	1/1/2024	\$5.6	\$13.7	\$19.4	\$14.0	\$14.2	\$28.2	\$14.5	\$14.7	\$29.1
71	Repeal PUT deduction for in-state portion of interstate transportation	4,000	1/1/2024	\$15.5	\$38.1	\$53.6	\$39.2	\$40.3	\$79.5	\$41.4	\$42.6	\$84.0
72	Impose PUT on cable and satellite TV at 6% rate with a tax credit for franchise fees paid	15	1/1/2024	\$32.9	\$79.1	\$112.0	\$79.1	\$79.1	\$158.2	\$79.1	\$79.1	\$158.2
73	Repeal PUT deduction for sales of irrigation water	100	1/1/2024	\$1.0	\$2.5	\$3.5	\$2.6	\$2.7	\$5.3	\$2.9	\$3.0	\$5.9
74	Expand PUT to the ancillary service B&O income of public service businesses	200	1/1/2024	\$3.4	\$8.1	\$11.5	\$8.4	\$8.6	\$17.0	\$8.8	\$9.0	\$17.8
Syrup Tax:												
75	Repeal B&O credit for Syrup Tax - RCW 82.04.4486	1,800	1/1/2024	\$1.6	\$3.7	\$5.3	\$3.7	\$3.6	\$7.3	\$3.6	\$3.5	\$7.1
76	Repeal B&O credit for Syrup Tax AND Increase Syrup Tax from \$1 to \$2	1,900	1/1/2024	\$3.7	\$8.5	\$12.2	\$8.4	\$8.1	\$16.5	\$8.0	\$7.7	\$15.7
NEW TAXES												
Employment Tax:												
77	Flat tax per employee for certain businesses	11,000	1/1/2024	\$245.0	\$591.0	\$836.0	\$597.0	\$604.0	\$1,201.0	\$610.0	\$616.0	\$1,226.0
Luxury Tax with Deductions:												
78	10% luxury tax on non-commercial motor vehicles - \$50,000 deduction	2,200	1/1/2024	\$58.1	\$142.2	\$200.3	\$141.0	\$138.5	\$279.5	\$136.0	\$133.5	\$269.5
79	10% luxury tax on non-commercial vessels - \$50,000 deduction	360	1/1/2024	\$14.5	\$35.0	\$49.5	\$35.5	\$36.2	\$71.7	\$36.6	\$37.0	\$73.6
80	10% luxury tax on non-commercial aircraft - \$50,000 deduction	33	1/1/2024	\$4.4	\$10.7	\$15.1	\$11.0	\$11.4	\$22.4	\$11.8	\$12.3	\$24.1

REV ALTS NOTES

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

² These proposals assume passage by April 23, 2023, allowing a full eight months to implement. This date is tentative and the impact is dependent on actual bill language.

³ Estate tax is deposited in the Education Legacy Account.