

REVENUE Impact of Revenue Alternatives
September 2023 Forecast

Estimates should only be used to provide a range of magnitude. If a proposal is under consideration for the 2024 Legislative Session, please request an update to the November 2023 forecast.

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 - January 2024

#	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%	233,000	1/1/2025	\$0.0	\$91.7	\$91.7	\$244.2	\$253.1	\$497.3	\$264.1	\$275.1	\$539.1
2	Increase state rate from 6.5% to 7.0%	233,000	1/1/2025	\$0.0	\$456.4	\$456.4	\$1,215.8	\$1,259.6	\$2,475.4	\$1,314.4	\$1,369.2	\$2,683.7
RETAIL SALES/USE TAX - Tax Base Expansion (except services)												
3	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))	1,000	1/1/2025	\$0.0	\$13.6	\$13.6	\$33.4	\$34.2	\$67.6	\$35.1	\$35.9	\$71.0
4	Repeal sales and use tax exemptions for OTC drugs purchased with a prescription	2,000	1/1/2025	\$0.0	\$19.1	\$19.1	\$48.3	\$49.6	\$97.9	\$52.1	\$54.7	\$106.7
5	Extend sales tax to admissions charges	15,000	1/1/2025	\$0.0	\$19.2	\$19.2	\$47.5	\$49.4	\$96.9	\$51.2	\$53.1	\$104.3
6	Repeal exemption for audio/video programming [RCW 82.08.0208(5)]	40	1/1/2025	\$0.0	\$29.3	\$29.3	\$66.1	\$62.1	\$128.2	\$58.3	\$54.8	\$113.1
7	Narrow the bad debts deductions for retail sales tax and B&O tax	46,000	1/1/2025	\$0.0	\$13.3	\$13.3	\$33.1	\$34.3	\$67.5	\$35.4	\$36.6	\$72.0
RETAIL SALES/USE TAX - Extend retail sales tax to services												
8	Extend retail sales tax to custom software	11,000	1/1/2025	\$0.0	\$54.9	\$54.9	\$137.6	\$144.0	\$281.6	\$150.1	\$156.6	\$306.7
9	Extend retail sales tax to temporary staffing services	1,350	1/1/2025	\$0.0	\$123.8	\$123.8	\$310.4	\$324.8	\$635.1	\$339.9	\$355.7	\$695.6
10	Extend retail sales tax to janitorial services	17,000	1/1/2025	\$0.0	\$31.1	\$31.1	\$77.9	\$81.5	\$159.4	\$85.3	\$89.3	\$174.6
BUSINESS & OCCUPATION TAX - Rate Increases												
Increase B&O tax rate:												
11	Increase retailing B&O tax from 0.471% to 0.484% - RCW 82.04.250(1)	200,000	1/1/2025	\$0.0	\$16.2	\$16.2	\$40.4	\$41.9	\$82.3	\$43.4	\$45.0	\$88.4
12	Increase manufacturing rate for petroleum fuels to 1%	10	1/1/2025	\$0.0	\$14.0	\$14.0	\$33.4	\$33.9	\$67.3	\$34.5	\$35.0	\$69.5
Preferential B&O Tax Rates:												
13	Eliminate all preferential B&O tax rates, excluding radioactive waste clean-up	9,600	1/1/2025	\$0.0	\$104.4	\$104.4	\$259.8	\$270.3	\$530.1	\$280.2	\$291.1	\$571.3
14	Reduce benefit of preferential B&O tax rates by 25%, excluding radioactive waste clean-up	9,600	1/1/2025	\$0.0	\$26.1	\$26.1	\$64.9	\$67.6	\$132.5	\$70.0	\$72.8	\$142.8
15	Repeal preferential B&O tax rate for meat processors	250	1/1/2025	\$0.0	\$12.0	\$12.0	\$30.0	\$31.2	\$61.2	\$32.6	\$34.2	\$66.8
16	Repeal preferential rate for prescription drug wholesalers	26	1/1/2025	\$0.0	\$13.5	\$13.5	\$33.6	\$34.9	\$68.5	\$36.5	\$38.2	\$74.7
BUSINESS & OCCUPATION TAX - Tax Base Expansion												
17	Repeal B&O tax deduction for first mortgage interest	525	1/1/2025	\$0.0	\$28.0	\$28.0	\$70.2	\$70.7	\$140.9	\$74.0	\$74.5	\$148.5
18	Impose service B&O tax on gross income from long-term real estate rentals	25,000	1/1/2025	\$0.0	\$4.8	\$4.8	\$23.9	\$38.4	\$62.3	\$53.9	\$56.5	\$110.4
19	Narrow the first mortgage interest deduction so that internet banks do not qualify	500	1/1/2025	\$0.0	\$18.2	\$18.2	\$45.6	\$46.0	\$91.6	\$48.2	\$48.5	\$96.7
20	Digital advertising tax (Maryland)	2,500	1/1/2025	\$0.0	\$11.9	\$11.9	\$29.6	\$191.0	\$220.6	\$226.9	\$251.3	\$478.2
21	Digital advertising tax – select advanced computing businesses	50	1/1/2025	\$0.0	\$6.9	\$6.9	\$17.3	\$111.4	\$128.7	\$132.4	\$146.6	\$279.0
22	Tax on Digital Advertising – Eliminating DAS Exclusion	1,100	1/1/2025	\$0.0	\$21.5	\$21.5	\$53.9	\$346.9	\$400.8	\$412.2	\$456.4	\$868.6
OTHER TAXES												
Estate Tax:												
23	Increase graduated estate tax rate ³	2,200	1/1/2025	\$0.0	\$0.0	\$0.0	\$127.8	\$185.1	\$312.9	\$196.6	\$208.2	\$404.8
Public Utility Tax:												
24	10% surtax on all PU tax rates	11,000	1/1/2025	\$0.0	\$25.6	\$25.6	\$63.7	\$65.3	\$129.0	\$66.9	\$68.5	\$135.4
25	PU tax on motor/urban transportation and log hauling - increase to 3.852%	10,000	1/1/2025	\$0.0	\$40.1	\$40.1	\$99.1	\$102.3	\$201.3	\$105.6	\$109.0	\$214.5
26	Repeal PU tax deduction for in-state portion of interstate transportation	5,000	1/1/2025	\$0.0	\$18.5	\$18.5	\$45.6	\$46.9	\$92.5	\$48.1	\$49.5	\$97.6

REV ALTS NOTES

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

² These proposals assume passage by March 7, 2024, allowing a full nine 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.