

WASHINGTON STATE TAX STRUCTURE STUDY

Timing of Tax Payments - Findings

- Taxes are considered to be "lumpy" if the timing of the tax payment and/or the amount of the payment is burdensome to taxpayers.
- Property taxes, real estate excise taxes, and watercraft excise tax are the most lumpy taxes. These tax payments are considered by taxpayers to be burdensome both by nature of their timing and their large dollar amounts (in the case of large purchases or high property values).
- Most other taxes are not considered to be lumpy since they are paid more frequently and in smaller amounts.
- Taxes that are paid exclusively by businesses (B&O, PUT, etc.) are less lumpy than the taxes that are also paid by consumers (property taxes, REET, etc.). This is because business tax payments are generally more frequent and most businesses receive regular income throughout the course of a year.

Tax	Frequency / Timing	Lumpy?
Property tax	Biannually, by April 30 and October 31	Yes
<p>Property tax payments greater than \$50 may be made in biannual equal installments.</p> <p>Long-term financing arrangements are affecting the lumpiness of the property tax. Although the tax is normally paid twice a year in large chunks, many mortgage arrangements factor property tax amounts into monthly mortgage payments and effectively mitigate the lumpiness to the homeowner.</p> <p>As a result, the property tax is perceived to be lumpy when paid out of pocket annually or biannually as opposed to via a mortgage arrangement where amounts are included in monthly escrow payments.</p>		
Real estate excise tax	At the time of sale of property	Yes
<p>This tax is paid by the seller at the time of sale of real property. The tax is a percentage of the selling price of the property.</p>		
MVET (repealed)	Annually	Yes
<p>MVET payments were also perceived to be lumpy due to the fact that they were only paid once a year. Tax payments for higher-valued cars were higher and more lumpy than those for lower-valued vehicles.</p>		

Tax	Frequency / Timing	Lumpy?
Watercraft excise tax	Annually	Yes
<p>This excise tax is paid annually to the Department of Licensing by owners of licensed watercraft within the state. The tax is a percentage of the value of the watercraft, so tax payments for expensive boats are naturally higher and more lumpy than those for smaller, less expensive boats.</p>		
Aircraft excise tax	Annually	No
<p>This tax is an annual fee determined by the size and type of aircraft. The fee ranges from \$20-\$125.</p>		
Sales and use taxes	At the time of each purchase or use of item	No, with exceptions
<p>Sales tax payments are inherently non-lumpy, since the tax is paid in small amounts at the time of each purchase. Since most daily purchases (books, clothing, household items) are in relatively low dollar amounts, the tax payments are also small.</p> <p>Larger purchases are an exception, because the amount of tax due at the time of purchase is greater than for small purchases (for example, a car vs. a magazine). Due to the higher purchase price, the sales tax is higher and more lumpy for larger purchases. Taxable leases are also an exception, where the sales tax is paid on each incremental lease payment instead of the entire tax amount in one payment.</p> <p>The increase in the use of long-term financing for large purchases such as cars hides the lumpiness of the sales tax from consumers. In these situations, the seller is paid by a financial institution and remits the sales tax in full at the time of sale. Since the consumer is then making regular debt payments to the financial institution, the sales tax is only an invisible component of each monthly payment.</p>		

Tax	Frequency / Timing	Lumpy?
B&O tax	Monthly, quarterly, or annually, depending on business volume	No
<p>Filing frequency for the B&O tax is determined by the Department of Revenue, with a statutory requirement that no taxpayer may file on a less than annual basis. Smaller businesses with less gross income and therefore less tax liability are generally assigned to an annual frequency, larger businesses to a quarterly reporting schedule, and the largest businesses are monthly filers.</p> <p>The B&O tax is only lumpy for the smallest taxpayers, who pay an entire year's worth of tax liability in one payment. However, the average tax payments are generally very small, the median tax payment for annual filers being \$358. Although monthly and quarterly taxpayers generally have more business income and pay higher taxes, the payments are more frequent and therefore less lumpy.</p>		
Public utility tax litter tax	Same frequency as B&O taxes	No
<p>There are several other taxes that are collected on the Combined Excise Tax Return. All of these taxes are reported and paid on the same frequency as the B&O tax (monthly, quarterly, or annually). The litter tax was formerly collected on an annual basis. Because the tax rate is very low, the amounts of the annual tax payments were generally not onerous, but it was confusing to taxpayers. In 1998, the reporting frequency was changed to coincide with a taxpayer's B&O reporting frequency.</p>		
Insurance premiums tax	Three staggered payments, annual returns	No
<p>This tax is collected by the Insurance Commissioner. Insurance companies that owe more than \$400 in tax must make three staggered tax payments and file an annual reconciliation return. Since the tax payments are spread out over the entire calendar year, the timing of the tax payments is not onerous.</p>		
Fish tax	Quarterly	No
<p>This tax is reported by the owner of the fish at the time of first possession in Washington territorial waters. The tax is a percentage of the value of the fish.</p>		
Parimutuel tax	Daily	No
<p>This tax is reported by licensed racetrack operators on the gross receipts of parimutuel machines. The tax is reported daily to the Horse Racing Commission.</p>		

Tax	Frequency / Timing	Lumpy?
Unemployment compensation tax	Quarterly	No
<p>This tax is paid by employers to the Employment Security Department. Employers pay varying amounts of tax, depending on the number of employees and a contribution schedule determined by the Department of Revenue. The tax is a percentage of employees' wages.</p>		
Industrial insurance tax	Quarterly	No
<p>This tax is paid by employers to the Department of Labor and Industries. The tax is a varying rate per hour worked by employees depending on the classification of the employer in terms of risks to employees. The amounts range from \$0.0487 per hour to \$8.10 per hour.</p>		