



*"Working together to
fund Washington's future"*

Local Government Partnership

Vikki Smith, Director
June 8, 2016

Changes to Taxation of Amusement and Recreation Activities



John Wack
Tax Information Specialist

Topics

1. Overview of new law (HB 1550)
2. Municipal facilities providing fitness and recreational activities – community centers
 - General approach
 - Is it an athletic or fitness facility (AFF)?
 - Rental of facilities to third party contractors
3. Questions and answers

What is DOR Providing for Guidance on HB 1550?

- Web page – Retail recreational services and athletic and fitness facilities
 - Web page – Local government physical fitness classes
 - Updates to the local government page added soon
- WAC 458-20-183 – Amusement, recreation, and physical fitness services rule is being updated
 - Comments welcome

Overview of HB 1550



Overview of HB 1550

- Changes to RCW 82.04.050 effective January 1, 2016
- Replaced two sections
 - Amusement and recreation services
 - Physical fitness services
- New sections
 - Section 3(g) – Athletic or fitness facilities (AFF)
 - Section 15 – Retail recreational services

Athletic or Fitness Facilities (AFF) Defined

Indoor or outdoor facility or portion of a facility that is primarily used for:

- Exercise classes
- Strength and conditioning programs
- Personal training services
- Tennis
- Racquetball, handball, squash, or pickleball
- Yoga
- Boxing, kickboxing, wrestling, martial arts, or mixed martial arts training
- Other activities requiring use of exercise or strength training equipment
 - Treadmills, elliptical machines, Pilates equipment, weightlifting equipment, etc

Old vs. New

Physical fitness services (old) vs. AFF (new)

- Physical fitness services were taxable based on the activity
- An AFF is established based on the availability of:
 - Activities
 - Facilities
 - Equipment

Characteristics of an AFF

- An AFF is established when a facility or part of a facility is primarily (more than 50%) used for:
 - AFF activities
 - AFF facilities
 - AFF equipment
- AFF established all charges for use of facility and associated charges are retail sales, including instructional lessons

Exclusions from Retail Sales

AFF exclusions from retail sales

- Yoga, tai chi or chi gong classes held at a community center
- Separately stated charges for certain uses of AFF or other services



Retail Recreational Services

Subject to

- ✓ Retail sales tax
- ✓ Retailing B&O tax
- List of activities defined as retail sales
- Specific activities and some more general
- Specific exclusions from retail sales

Web page available: Recreational Services at a Glance

Retail Recreational Services

- Amusement park, theme park, and water park facility
- Air sports
- Batting cages
- Bowling
- Bungee jumping, zip lining, and riding inside a ball, inflatable or otherwise
- Climbing on artificial climbing structures
- Day trips for sightseeing purposes
- Fishing
- Go-karting, bumper cars, and other motorized activities
- Golf

Retail Recreational Services (continued)

- Horseback riding
- Hunting
- Paintball and airsoft activities
- Playground activities, indoor and outdoor
- Shooting sports and shooting activities
- Skating
- Snow sports and activities (with or without snow)
- Swimming – recreational and fitness swimming that is open to the public
- Table games
- Water sports and activities

Non-retail Recreational Services

- Dancing
- Day camps
- Gymnastics
- Running, triathlon, and bicycling events
- Sports leagues
- Sports venues – not including an athletic or fitness facility
- Video game/arcade game trucks
- Yoga, tai chi, chi gong

Non-retail Recreational Services

- Physical fitness activities provided at AFF are retail sales
- Includes non-retail recreational services:
 - Dancing
 - Gymnastics
 - Running, triathlon, and bicycling events
 - Sports leagues
- Charges for space by AFF to 3rd party providing physical fitness activities are retail sales

Local Government

Local government physical fitness classes

- Retail sales tax exemption under RCW 82.08.0291 for physical fitness classes provided by local governments unchanged
 - Retailing B&O tax applies
- AFF classes may qualify for exemption
- Retail recreational services do not qualify

Web page available: Local government physical fitness classes

Opportunity to Dance

- Temporary exemption made permanent
- Not subject to retail sales tax
- Taxable under Service and other B&O tax



Web page available: Opportunity to Dance

Municipal Facilities Providing Fitness and Recreational Services - Community Centers



General Approach - Community Centers

Two part test:

1. AFF as a whole

- Entire community center treated as AFF
- Physical fitness activities are retail sales

2. AFF in part

- Part of community center treated as AFF
- Physical fitness activities in AFF are retail sales

AFF as a Whole

Presume entire community center is AFF if:

- More than 50% of the revenues are from AFF activities and facilities
- Community center has substantial fitness center and/or racquet center

Result: Charges by the community center for “physical fitness activities” considered retail sales unless exclusion applies

AFF as a Whole

Physical fitness activities

- Activities that involve physical exertion for the purpose of improving or maintaining participants':
 - General fitness
 - Strength
 - Flexibility
 - Conditioning
 - Health

AFF as a Whole

Exclusions from retail sales at an AFF

- Separately stated charge
- Not subject to retail sales tax
- Subject to service and other B&O tax

AFF as a Whole

Exclusions from retail sales at an AFF

- Yoga, tai chi, and chi gong classes
- Use of community center for purpose other than engaging or receiving instruction in physical fitness activity
- Use of discrete portion of community center, **other than a pool**, where portion of facility does not by itself, meet definition of an athletic or fitness facility

AFF as a Whole

Exclusions from retail sales at an AFF (continued)

- Use of the facility for
 - Advertising
 - Massage
 - Nutritional consulting
- Does not include personal training services or instruction in physical fitness activity
- Physical therapy provided by a licensed physical therapist prescribed by authorized health care practitioner
- Cover charges for dances

Web page available: Opportunity to Dance

Exemption from Retail Sales Tax

- Physical fitness classes provided by a community center
- Characteristics of a physical fitness class
 - Group exercise (not one-on-one)
 - Group instructor or leader provided
 - Set days and times
 - Limited number of participants
 - Registration is in advance or before beginning class

Web page available: Local government physical fitness classes

Community Center Part AFF?

Community center is part AFF when

- Has revenues from AFF activities and facilities 50% or less of total revenues, and
- Does not have a substantial fitness center and/or racquet center

Department will presume community center as a whole is not an AFF

Community center must determine if a portion of the facility is an AFF

Two Part Test

1. Is there a separate / discrete area (e.g., a room) that is “primarily used” (> 50%) as an AFF?
2. Is there a separate/discrete charge for the use of this (room) area?
 - If answer to 1 and 2 is yes, separate room (or area) is AFF and any charges to use the AFF are retail sales.
 - If answer to 1 or 2 is no, then no portion of community center is AFF

Two part test – Assumptions

- I. In buildings look at entire room (area) to determine if separate area should be considered an AFF and no splitting of rooms
 - **Example:** City A has a neighborhood community center that is not an AFF as a whole. One room in the community center has a couple stationary bicycles in a corner. There is no charge for the use of the stationary bikes. The remainder of the room has no exercise equipment and is primarily used for dance classes and meetings. The Department will not view this room to be an AFF when there is no separate charge for use the exercise equipment.

Two part test – Assumptions (continued)

2. Outdoor areas look at primary activity performed to determine if outdoor area qualifies as AFF
 - **Example:** City X has a community center with an outdoor tennis court, an outdoor basketball court, and a softball field that are side by side. The use of any of the outdoor areas requires the payment of a fee. In this situation each area is a distinct area. The tennis court is an AFF; while the softball field and the basketball court are not AFFs.

Two part test – Assumptions (continued)

3. Department presumes the following rooms within a community center are not AFFs when the facility as a whole is not an AFF:
 - Gymnasiums
 - Multi-purpose rooms
 - Classrooms
 - Meeting rooms
 - Pools
 - Outdoor basketball courts
 - Outdoor ball fields (soccer, football, baseball, etc.)

Two part test – Assumptions (continued)

4. “Primarily used” means more than 50%
 - To determine if area (room) is “primarily used” as an AFF, the schedule of room use for a charge will determine whether it is primarily used as an AFF. Idle or unscheduled time will not be a part of the calculation.

Application of taxes

- Room (or area) at community center is AFF then:
 - Any charges to use that room for physical fitness activities are considered to be a retail sales unless an exclusion applies
 - All charges to engage in or receive instruction in physical fitness activities in the AFF portion of the community center are retail sales (the exemption from retail sales tax for physical fitness classes may apply)

Community Center is not an AFF

Recreational services

- **Retail** recreational services subject to retail sales tax and income subject to B&O tax under Retailing classification
- **Non-retail** recreational services subject to B&O tax under the service and other classification
 - Retail sales tax does not apply on charges to participants
 - Includes charges for activities otherwise treated as AFF activities

AFF Facility Rental

Renting AFF facility used for a physical fitness activity

- Community center collects retail sales tax from third party contractor
- Income received by community center subject to B&O tax under retailing classification

AFF Facility Rental – Examples

Rental of Rooms/Facilities to 3rd Party Contractors

- Example 1: A rock climbing instructor not employed by the community center reserves two hours each week on the community center's climbing wall to teach a class on climbing techniques. The community center must collect retail sales tax from the instructor because the class is considered a physical fitness activity.
- Example 2: An art instructor rents a room to hold an art class. The community center does not have to collect retail sales tax from the instructor because the art class is not a physical fitness activity.
- Example 3: A dance instructor rents the gymnasium at the community center for a ballroom dance class. The community center must collect retail sales tax from the instructor because the class is considered a physical fitness activity.

Non-AFF Facility Rental

Rental of Rooms/Facilities to 3rd Party Contractors

- Community center does not collect retail sales tax
 - Example 1: A rock climbing instructor not employed by the community center reserves two hours each week on the community center's climbing wall to teach a class on climbing techniques. The community center does **not** have to collect retail sales tax from the instructor because climbing wall is not considered part of an AFF.
 - Example 2: A dance instructor rents the gymnasium at the community center for a ballroom dance class. The community center does **not** have to collect retail sales tax from the instructor because the gymnasium is not an AFF.

Questions?



Break

Protecting Confidential Tax & Licensing Information: Ten Things You Need to Know

Kristal Wiitala
DOR Information Governance Manager

Marta Carlo
DOR Public Records Officer



I. Most DOR Information is Confidential

Information your jurisdiction receives from Revenue is confidential and cannot be re-disclosed

Before giving out information ask yourself:

“Is this confidential taxpayer (CTI) or licensing Information (CLI)?”



2. Information is exempt from disclosure

Public Records

- RCW 42.56.230(4)

Excise Tax

- RCW 82.32.330

Business Licensing Service

- RCW 19.02.115

Property Tax

- RCW 84.08.210
- RCW 84.40.020
- RCW 84.40.340



3. Limited Information is Public

Confidential	Public *
Filing frequency	Name and registration number
If sales were reported	Trade Name or d.b.a.
Sales amounts	Mailing address
Taxes paid	Business Location
Audit or investigation	Type of entity (corp., sole prop...)
Phone number	NAICS
Email address	Reseller permit # & effective dates
TIN (FEIN, SSN)	Account status and open/closed dates
Licensing information created or obtained by DOR about applicants or license holders not made public	License, UBI or dealer number
	Governing people

* List not for commercial purposes

4. Data-sharing or Partnership Agreements Protect Confidentiality



- Sharing of information is for official purposes only
- Know and understand limitations on use of information
- Do not share (re-disclose)
- Safeguard the information at all times

5. Tax and License Confidentiality Affidavits Required



Tax and License Confidentiality Affidavit

This form must be completed and signed by every individual (including mayor, councilmember, treasurer, city manager, etc.) with access to confidential tax or licensing information.

An individual who discloses confidential information to an unauthorized person is guilty of a misdemeanor. See RCW 82.32.330(6) and 19.02.115(5)

Acknowledgement of Confidentiality

I _____ employed by _____
(Print name)

swear or affirm that I have read and understand the requirements regarding the protection of tax and/or licensing information provided by the Department as stated in [RCW 82.32.330](#) and [19.02.115](#). I further understand that this information is privileged and confidential, and therefore shall not be disclosed to any person not entitled to knowledge of such information. I understand that my use or disclosure of confidential tax information may be further restricted by an information-sharing agreement.

Dated: _____ (Signature)

SUBSCRIBED AND SWORN TO before me this _____ day of _____

(Signature of Notary Public)



6. Process for Tax and License Confidentiality Affidavit

- Agree to keep confidential information confidential
- Assure understanding of laws and penalties for violation
- Signed by
 - Each employee authorized to access confidential information
 - Authorized by: Finance Director, Treasurer, City Manager, or Mayor
- Complete *before* getting access to confidential information
- Keep it on file at local jurisdiction and send copy to DOR

7. Data Security Requirements Apply

- Maintain system and network security, data integrity and confidentiality
- Common security standards help ensure an effective and secure environment
- Remember:
 - Print only information you need
 - Copy or download electronic data only as needed
 - Do not communicate confidential information via unsecured e-mail or text messages
 - Secure all data – electronic or paper – while in transit, in use, “at rest” and during disposal



8. Let us know if there's a breach

- Information about taxpayers is sensitive
- Businesses may need to know if there is a breach in order to protect themselves
- DSA requires notice of a breach to DOR
- State law requires notification of breaches of personal information held by government agencies in RCW 42.56.590
- Better to report than to find out the wrong way



9. Penalties for Breach of Confidentiality Are Severe

RCW 82.32.330 & RCW 19.02.115

- Misdemeanor sanctions include:
 - Up to \$1,000 fine
 - Up to 90 days in jail
 - Loss of job
 - Barred from employment by state or local government for two years



10. Help is available!

DOR Public Records Office

(360) 705-6647

DORPublicRecords@dor.wa.gov

Questions?



Taxation of Spec Builders & Subcontractors

Jason Sayer
Tax Information Specialist

Speculative Building – Landowner

- Landowner builds on own land
- Real estate excise tax (REET)
 - No B&O tax on sale of real estate
- Pays sales tax on:
 - Materials, hired contractors, and temporary labor
- Sales tax sourcing
- Can't use reseller permit
 - Will not generally be eligible for reseller permit
- May not need to be registered with DOR
- Use tax/deferred sales tax liability

Contractors Hired by Spec Builder

- Must be registered with DOR
- Considered prime contractors
 - Owe retailing B&O tax
 - Collect and remit retail sales tax from speculative builder
 - ✓ Sourced to job site
- Purchases for resale (use reseller permit)
 - Materials
 - Subcontractor services
 - Temporary labor

Land Ownership

- Speculative building - based on land ownership
- Owner generally holder of recorded title
- WAC 458-20-170 list 4 attributes of real estate ownership:
 - The intentions of the parties in the transaction;
 - The person who paid for the land;
 - The person who paid for improvements to the land; and
 - How all parties, including financiers, dealt with the land.

Pre-Sale Agreements

- Prospective buyer not owner by signing pre-sale agreement
- Spec builder sells property under construction, only work completed after the sale is prime construction
- Work prior to sale is speculative building
- Retail construction does not occur until after closing

Road Construction on Spec Projects

- Road dedicated to city or county, construction is taxable as public road construction
- No retail sales tax due on charges to a speculative builder for the road construction
- Contractor pays
 - B&O tax under Public Road Construction
 - Retail sales tax or use tax on all materials
 - ✓ Includes materials provided by the speculative builder, unless the speculative builder paid retail sales tax
- Road must be dedicated within 1 year

Questions?



Break

Department of Revenue Sales Suppression Program

Audit Division



WA Sales Suppression Team

- Sales Suppression Audit Core Team
 - Bryan Kelly
 - ✓ Leading effort with Audit selection, training, implementation and communication with all levels of DOR
 - Mike Chertude
 - ✓ National subject matter expert
 - ✓ Presentations at conferences around the country
 - ✓ Participate on conference calls with states and other countries to share experiences
 - Jerome Salido
 - ✓ Working directly on investigations
 - ✓ Assisting auditors
 - Data conversions
 - Taxpayer meetings

Current States with Law or Pending Legislation

Alabama	California	Connecticut
Florida	Georgia	Illinois
Indiana	Kentucky	Louisiana
Maine	Michigan	North Carolina
North Dakota	Oklahoma	Rhode Island
Tennessee	Texas	Utah
Virginia	Vermont	Washington
West Virginia	Wyoming	Virginia
Minnesota *	Pennsylvania *	New York ^

As of December 16, 2015 (* Pending)

US Sales Suppression Cases

- Connecticut - \$17 million by a grocery store (1994 – Stew Leonard’s Dairy)
 - Uncovered by IRS during Income Tax audit
- Michigan - \$20 million over four years by a restaurant chain (2007 – LaShish)
 - 13 restaurants
 - CIA uncovered due to information from sister-in-law
- Ohio – \$3 million by restaurant chain (IHOP)
 - Uncovered by FBI and Joint Terrorism Task Force

Under Cover Stings

- 1997 - Canadian Broadcasting Corporation set up a dummy store in Montreal.
 - ECR salesman approached CBC dummy store and explained and offered factory-installed suppression
 - ✓ Company was subsidiary of a US ECR distribution business
 - ✓ Salesmen actually gave interviews to CBC
- New York State Revenue set up a dummy store's in different cities.
 - 70% of ECR / POS salesman offered suppression software

Two main Types of Software

- Constructed for manipulation [Phantom ware]
 - Installed in POS or ECR system
- Have software for manipulation installed [Zapper]
 - Thumb drive or other external drive

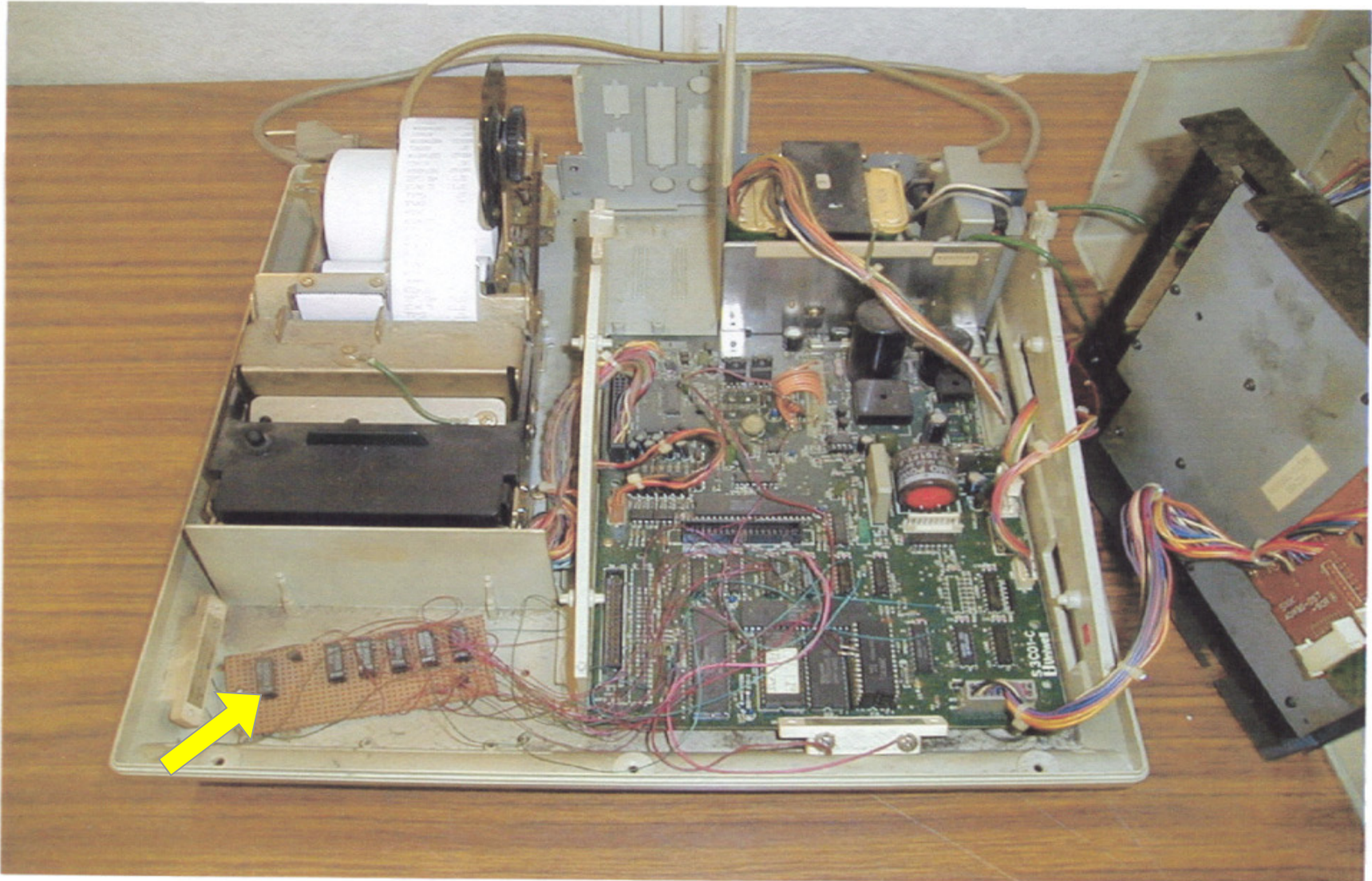
What is an ECR?

- Electronic Cash Register
- Mechanical or electronic device
 - Calculates and records sales transactions
 - Attached drawer for storing cash
 - Usually prints a receipt
 - Can be part of a POS system



Quebec Zapper

C00003.jpg (1280x960x16M jpeg)



What is a POS System

- Point of Sale
 - Not only where transaction is completed, but also can be point of return or take a customer's order
- Different Types
 - Stand Alone ECR
 - ✓ May have multiple units
 - ✓ Independent of each other
 - ECR based network systems
 - ✓ Multiple terminals
 - ✓ Arranged into a primary/secondary configuration
 - Controller Based Systems
 - ✓ Terminals are connected to a computer
 - ✓ Computer handles all the work
 - Cloud based POS
 - ✓ Allows software as a service
 - ✓ Just need an internet browser
 - ✓ Use of iPads or smart phones

Problems

- Current technology solutions require a receipt
- Internet-based Suppression [Zapper-as-a-Service]
 - Six cases in Portugal
- Suppression have migrated into credit cards
 - United Kingdom, Portugal & Norway
- Tablets/phones/hand-held devices

New Updates in Sales Suppression

- Software Downloaded from the Internet
 - Link could be provided
- Sales can be suppressed with Credit Card sales
 - Look to 1099-K forms from IRS – Payment Card and Third Party Network Transactions (filed by CC Co.)
- Belgian Fiscal Devices effective July 1, 2013
 - Labor side – Putting time cards through encryption system

Quebec's Efforts

- According to a study by RQ for 2002:
 - Percentage of restaurant operators who hide income: 48.4%
 - Percentage of hidden income relative to declared income: 51.9% (for those who hide income)
- According to Revenu Québec's estimates for 2008-2009:
 - Tax losses (Quebec laws only): \$419 Million:
 - \$136 Million of QST charged by restaurant operators but not remitted to the government.

Quebec's Efforts

- An original approach in terms of tax audit :
 - Sales recording module (SRM) combined with an inspection process
 - Will generate additional revenues of over \$2 billion for the Quebec government by 2018-2019

Quebec's Efforts

- Sales Recording Module
 - What is a sales recording module (SRM)?
 - ✓ It's a microcomputer;
 - ✓ When connected to an electronic cash register or POS system, the SRM receives transaction data (customer checks, cash register receipts, credit notes), retrieves relevant information such as sales and tax amounts, and saves it in a secure memory;
 - ✓ Once it has saved the data, the SRM generates a digital signature, which it sends to the printer, along with the information required to print a customer check/invoice

Quebec's Efforts

- Results
 - Data from the SRM
 - ✓ Over 400,000 periodic sales summaries received and processed;
 - ✓ Data collected by the SRM are compared with those of the data warehouse of Revenu Québec;
 - Restaurant owners who fail to declare part of their income more easily detected
 - Inspections
 - ✓ From September 1, 2010 to March 31, 2012:
 - Number of inspections: 8,518
 - Number of statement of offence: 2,568

Quebec's Efforts

- Significant additional revenue
 - 2011-2012 project generated over \$160 million in additional revenue
 - ✓ \$60 million more than expected
 - ✓ Ensures profitability of the project which involved implementation costs of \$34.4 million and costs related to subsidy of \$60 million

Quebec's Efforts

- \$100 Million spent for setup of SRM's in restaurants
- Estimates show
 - Initial investment made back in 9 months
 - Estimate \$2.3 Billion additional tax gain by 2018



More SRM Results

- Quebec – Tax revenue increase 1st year €117 million (15% VAT rate) – US Dollars = 132,771,600
- Sweden – Tax revenue increase per year €355 million (25% VAT rate) – US Dollars = 402,854,000
- Hungary – Tax revenue increase 1st year €210 million (27% VAT rate) – US Dollars = 238,308,000
- Belgium & Turkey – Passed law to start using them

WA Sales Suppression Timeline

2009

- Started research on topic
- Corresponded with Canada

2010

- Contacted Richard Ainsworth
- Continued in-state discussions/research
- Started first undercover audit

2013

- State law passed

2016

- First case to be prosecuted under WA law

Program Overview - Washington

- 2008 - 2009
 - Started with research – Richard Ainsworth
 - Articles from internet
 - BC suppression cases
 - IRS materials on POS systems
- 2010
 - Attended restaurant training seminars
 - Based on previous cases, selected an audit that fit our criteria

Program Overview - Washington

- Law Passed – SB 5715 (July 2013)
 - Making the possession, sale, or use of zappers a class C felony
 - \$10,000 fine and / or 5 years in prison
 - It is unlawful for any person who has been convicted of violating this section to engage in business, or participate in any business unless:
 - ✓ All taxes, penalties, and interest lawfully due are paid, and
 - ✓ Enters into a written agreement with the department for the electronic monitoring of the business's sales, by a method acceptable to the department, for five years at the business's expense.

Program Overview - Washington

- Designated a Suppression Implementation Team due to new law
- Three Audit Division employees
- Continuing our work effort including:
 - Communication/Presentations
 - Pilot program in 4 in-state offices
 - Meetings with outside partners
 - ✓ AG's Office CLU
 - ✓ IRS Criminal Investigation Unit / DOJ
 - ✓ WA State Patrol
 - ✓ CA Board of Equalization – Training classes

Program Overview - Washington

2014

- Created industry specific (POS & ECR based businesses) workpapers for auditors
- Purchased 2 POS systems for Auditor training



Concentrate on “High Risk” Businesses

- Not
 - ✓ If Mom or Pop runs the cash register
 - ✓ If publicly held enterprise
- Yes
 - ✓ If multiple locations with a remote but actively engaged owner [La Shish (Detroit); Ronan (Australia)]
 - ✓ Employees are paid wages under the table
 - ✓ Unusual ratio of cash-credit transactions
 - ✓ Unusual ratio of sales - wages

Business Types

- Auditing businesses utilizing POS systems
 - ✓ Not just restaurants, anyone utilizing a POS is a possibility
 - Nail Salons
 - Gas Stations / Mini Marts
 - Grocery Stores
 - Liquor stores
 - ✓ High cash Businesses that use a POS or ECR system



Under Cover Buys

How Revenue Quebec found its first “Zapper” in 1997

- Auditor visited a restaurant before opening an audit, saved her receipts, and looked for records in the daily sales files (z tape) of the ECR / POS system.
- Requires some luck ? ? ? ? ?
- How Washington found our first zapper

CA purchases 6 meals before contacting the taxpayer for audit. (PA = 12, Canada = 10)

Audit Process

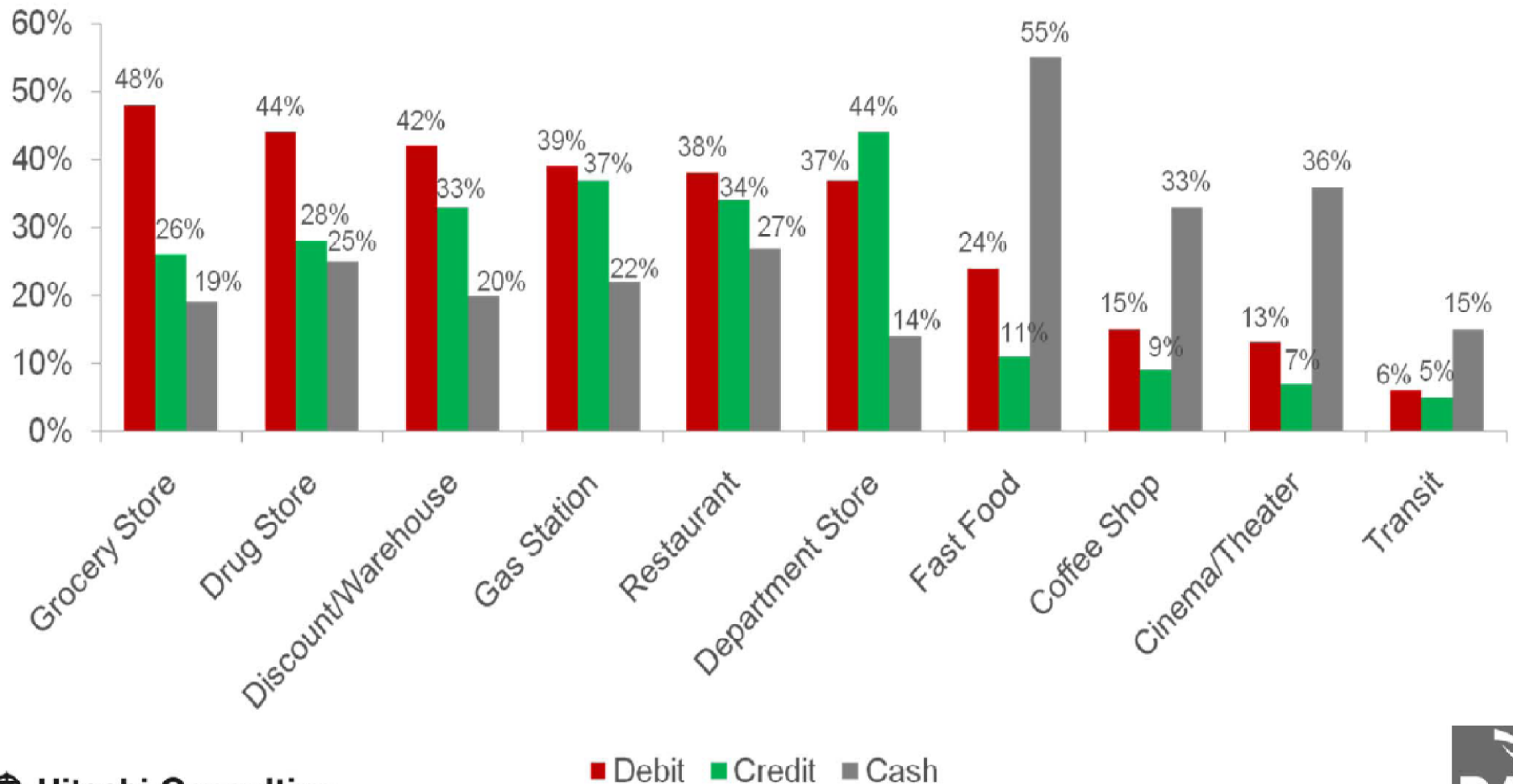
- Research performed prior to audit selection
- Possible buys
- Pre Audit Meeting
 - Restaurant questionnaire
 - More understanding of what auditors are doing will benefit future auditors in knowing what to look for
- Collect information on each POS System
- Perform Ratio Analysis – Cash to Credit or Wages to Sales

Audit Procedures - Ratio Analysis

- Cash to Credit
- Analysis of Costs
 - Restaurant Industry Operations Report
 - Compare wages to sales
 - ✓ Salaries and Wages = 28.5% - 33.6%
 - Compare food & beverage costs to sales
 - ✓ Cost of Food and Beverages = 31.5% - 33.7%
- Other Factors
 - Neighboring Businesses
 - ✓ Does it make sense?
 - Lifestyle
 - ✓ Living within means?

Cash to Credit Analysis

**In-Store Payment Preference
(by Merchant Category)**



Washington State Cases

- Case I – Retail restaurant
 - Cash to Credit = 25%
 - POS System = Prosecuted Canadian Company
 - Daily sales detail was obtained for three of the six dates meals were purchased.
 - One of the days there was evidence meals were suppressed from the POS system.
 - Based on available information it appears that two sales were deleted from the point of sale system.

Receipt – Suppressed Meal #1

=====
 Date: Jun 23, 2010 Time: 12:22PM
 Server: Lunch Server # Guest: 3
 Bill: 42759 Table : 407

1 RED CURRY CHIC COMBO	7.95
1 PEPSI	1.95

Subtotal	9.90
Tax	0.99

Total	10.89

Open Time : Jun 23, 2010 11:52AM

THANK YOU

**Suppressed
 Sale**

=====
 Date: Jun 23, 2010 Time: 12:22PM
 Server: Lunch Server # Guest: 3
 Bill: 42759 Table : 407

1 CASHEW CHICKEN COMBO	7.95

Subtotal	7.95
Tax	0.80

Total	8.75

Open Time : Jun 23, 2010 11:52AM

THANK YOU

=====
 Date: Jun 23, 2010 Time: 12:22PM
 Server: Lunch Server # Guest: 3
 Bill: 42759 Table : 407

1 CASHEW CHICKEN COMBO	7.95

Subtotal	7.95
Tax	0.80

Total	8.75

Open Time : Jun 23, 2010 11:52AM

THANK YOU

Receipt – Suppressed Meal #1

=====
*** Reprint (1) ***
Date: Jun 23, 2010 Time: 12:55PM
Server: Lunch Server # Guest: 2
Bill: 42759(2 Splits) Table : 407

2 CASHEW CHICKEN COMBO 15.90

 Subtotal 15.90
 Tax 1.59

Total 17.49

 Cash 17.49

Open Time : Jun 23, 2010 11:52AM

THANK YOU

Member Tel no. # _____

received \$10.00 Certificate, and
chance to win trip to Las Vegas
Ask your server/manager for more detail.
Restrictions may apply.

Receipt – Suppressed Meal #2

=====
 Date: Jun 23, 2010 Time: 12:46PM
 Server: Lunch Server # Guest: 3
 Bill: 43109 Table : 403
 =====
 1 GARLIC CHICKEN COMBO 7.95

 Subtotal 7.95
 Tax 0.80

Total 8.75

Open Time : Jun. 23, 2010 11:58AM

THANK YOU

**Suppressed
 Sale**

=====
 Date: Jun 23, 2010 Time: 12:46PM
 Server: Lunch Server # Guest: 3
 Bill: 43109 Table : 403
 =====
 1 LL CASHEN CHIC 8.95

 Subtotal 8.95
 Tax 0.90

Total 9.85

Open Time : Jun 23, 2010 11:58AM

THANK YOU

=====
 Date: Jun 23, 2010 Time: 12:46PM
 Server: Lunch Server # Guest: 3
 Bill: 43109 Table : 403
 =====
 1 CASHEW CHICKEN COMBO 7.95

 Subtotal 7.95
 Tax 0.80

Total 8.75

Open Time : Jun 23, 2010 11:58AM

THANK YOU

Receipt – Suppressed Meal #2

=====
*** Reprint (1) ***
Date: Jun 23, 2010 Time: 12:54PM
Server: Lunch Server # Guest: 2
Bill: 43109(2 Splits) Table : 403

1	CASHEW CHICKEN COMBO	7.95
1	LL CASHEW CHIC	8.95

	Subtotal	16.90
	Tax	1.69

Total		18.59
	Cash	18.59

Open Time : Jun 23, 2010 11:58AM

THANK YOU

Member Tel no.# _____

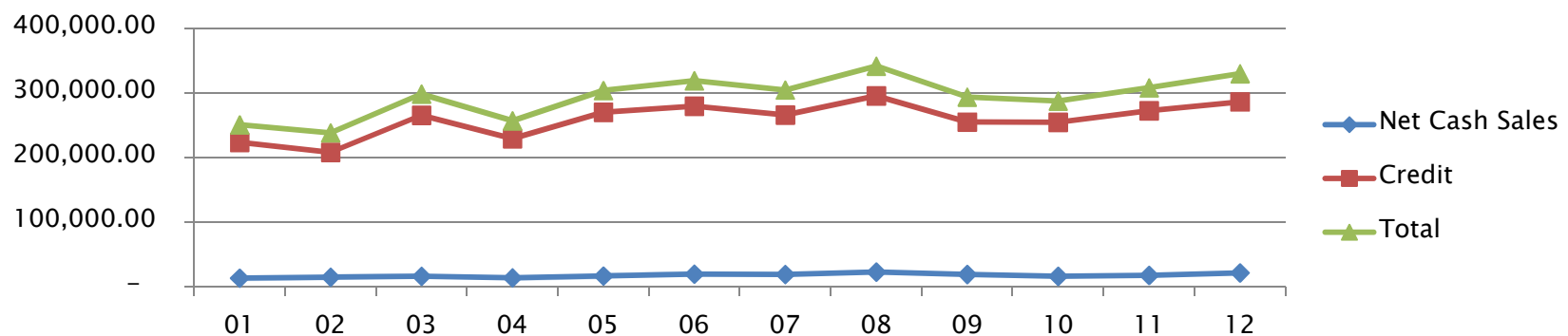
received \$10.00 Certificate, and
chance to win trip to Las Vegas
Ask your server/manager for more detail.
Restrictions may apply.

Washington State Cases

- Case 2 – Retail Restaurant
 - Inconsistent numbering found – Purchased meal ticket
 - Cash to Credit ratio is low
 - Wages to sales are also low
 - Possible to assess tax based on average cash sales for industry
 - POS Company
 - ✓ Called company and spoke to representative (person who answered phone)
 - ✓ Offered software ? ?

Washington State Cases

- Case 3 – Retail Restaurant
- ACL Software used in Analysis
 - Cash tips in POS were flat (did not vary as % of sales)
 - Bank deposits consisted almost exclusively credit card sales.
 - Cash to Credit ratio flat and low



Washington State Cases

- Case 3 – Retail Restaurant

- Results

- ✓ Based on inconsistent records, it was decided to estimate cash sales up.
 - ✓ Schedules were presented. Prior to deadline, taxpayer stated assessment was too high. Stated that there were a second set of records.
 - ✓ Owner demonstrated how to adjust sales by using an external flash drive that was not part of the main POS.
 - ✓ This will be the first case prosecuted under our law!

Washington State Cases

- Case 4 – Retail Restaurant
 - 10 undercover buys
 - 2 sales receipts were missing (voided)
 - Next slide shows one sale correctly posted and one sale voided

Washington State Cases

- Case 4 – Retail Restaurant

Invoice_Number	Total_Price	Total_Tax1	Grand_Total	Amt_Tendered	Amt_Change	Status
251649	0	0	0	0	1.71	V
251650	7.75	0.74	8.49	20	11.51	C

NAME: 21
 ORDER # 49
 CHECK# 251649
 Closed to Cash
 DATE/TIME: 3/12/2014 10:19:54 AM
 CASHIER: 100101
 STATION: 02

Chicken-teri01*
 1 @ \$7.75 \$7.75
 Katsu-teri04*
 1 @ \$8.95 \$8.95

Subtotal \$16.70
 Tax \$1.59
GRAND TOTAL \$18.29

Cash \$18.29
 Amt Tendered \$20.00
 Change \$1.71
 Closed: 3/12/2014 10:18:47 AM

TABLE # 50
 CHECK# 251650
 Closed to Cash
 DATE/TIME: 3/12/2014 10:20:20 AM
 CASHIER: 100101
 STATION: 02

Chicken-teri01*
 1 @ \$7.75 \$7.75

Subtotal \$7.75
 Tax \$0.74
GRAND TOTAL \$8.49

Cash \$8.49
 Amt Tendered \$20.00
 Change \$11.51
 Opened: 3/12/2014 10:20:09 AM

Washington State Cases

- Case 5 – Retail Restaurant
 - 6 Undercover Buys
 - 1 ticket altered – 2 of 3 splits missing
 - Next slide shows the 3 splits and database entry

Washington State Cases

- Case 5 – Retail Restaurant

TxnID	BillNum	Total	Subtotal	Tax1	ItemDesc1	PayAmount	Tender Desc1
91411	33	11.77	10.75	1.02	Special SMALL	20	Cash
					1. Pho (SML)	-8.23	Cash

#5 - 1

=====
 Date: Jul 26, 2013 Time: 01:29PM
 Server: Quy
 Bill: 0033 Table : 5

1 Special LARGE 11.75
 Prawn Roll (1)
 1 Bubble Tea 1.75

 Subtotal 13.50
 x 1.28

Total 14.78

Open Time : Jul 26, 2013 12:50PM
 Thanks

#5 - 2

=====
 Date: Jul 26, 2013 Time: 01:29PM
 Server: Quy
 Bill: 0033 Table : 5

1 Special SMALL 10.75
 Prawn Roll (1)
 1 Coffee 1.75

 Subtotal 12.50
 Tax 1.19

Total 13.69

Open Time : Jul 26, 2013 12:50PM
 Thanks

#5 - 3

=====
 Date: Jul 26, 2013 Time: 01:29PM
 Server: Quy
 Bill: 0033 Table : 5

1 Special SMALL 10.75
 Prawn Roll (1)

 Subtotal 10.75
 Tax 1.02

Total 11.77

Open Time : Jul 26, 2013 12:50PM
 Thanks

Additional Efforts

- Joint efforts with other States and Countries
- Quarterly conference calls for field auditors dealing with this topic
- Learn through working more cases!

Thank You!

- Please feel free to contact us with any additional Questions
 - Danielle Grindle – Audit Program Manager
 - ✓ danielleg@dor.wa.gov
 - Bryan Kelly – Audit Regional Audit Manager
 - ✓ bryanke@dor.wa.gov
 - Mike Chertude – Senior Revenue Specialist
 - ✓ michaelc@dor.wa.gov
 - Jerome Salido – Computer Audit Specialist
 - ✓ jeromes@dor.wa.gov

Questions?



2016 Property Tax Legislation

Pete Levine
Personal Property Supervisor

Passed Bills – Property Tax

SHB 2519

Allowing nuisance abatement cost recovery for cities.

HB 2842

Financing of improvements for state-owned lands to be transferred for private development.

SSB 5767

Revising local government treasury practices and procedures

Passed Bills – Property Tax

ESSB 6206

Authorizing the growing of industrial hemp.

SSB 6211

Concerning the exemption of property taxes for nonprofit homeownership development.

SSB 6337

Disposing tax foreclosed property to cities for affordable housing purposes.

2016 Tax & Administration Legislation

Joanne Gordon
Legislative Coordinator

Passed Bills – Tax & Administration

SHB 2539

Relating to the inheritance exemption for the real estate excise tax

HB 2565

Reducing the frequency of local sales and use tax changes

EHB 2959

Relating to local business tax and licensing simplification

Passed Bills – Tax & Administration

E2SSB 5109

Relating to infrastructure financing for local governments

ESSB 6328

Relating to youth vapor product substance use prevention, and vapor product regulation, without permitting a tax on the sale or production of vapor products

Passed Bills – Marijuana

HB 2520

Concerning the sale of marijuana to regulated cooperatives

ESSB 6206

Authorizing the growing of industrial hemp

Questions?



Business Licensing Service (BLS)

Janet Shimabukuro
Assistant Director, Taxpayer Services

About Business Licensing Service (BLS)

- BLS is the clearinghouse for business licensing – offering hundreds of endorsements from 10 state agency partners and 67 city partners

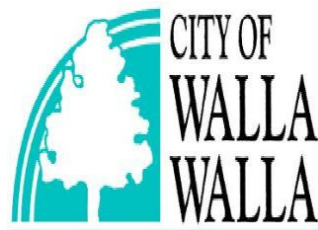
- | | |
|-----------------------|------------------------|
| ✓ Agriculture | ✓ Liquor Control Board |
| ✓ Ecology | ✓ Licensing |
| ✓ Employment Security | ✓ Lottery |
| ✓ Health | ✓ Revenue |
| ✓ Labor & Industries | ✓ Secretary of State |

Current and Queued Partners

More than 30% of cities that license businesses work with BLS



Cities in queue to join BLS



Combined Licensing Process

A new convenience store
in Olympia submits a
business application



Benefits of BLS to City Partners

- BLS handles all registrations and renewals
- Reduced printing/mailing costs
- Reduced city staff time
- Local regulatory control
- Increased compliance



My DOR – *launched June 6th*

Now available from
business.wa.gov/BLS

- Benefits for WA businesses:
 - Streamlined business application
 - Secure, online updates of accounts
 - Account view for trade names, corporate registrations and locations
 - Online application or renewal for almost every endorsement
 - City limits locator (GIS) to ensure appropriate local licensing
 - New, improved Business Licensing Wizard
 - More robust Business License Search



New Business Licensing Wizard

Now available from
business.wa.gov/BLS

Business Licensing Wizard

1. Ownership/Employee Information

Ownership/Employee Information

Begin by answering the questions below. Once the questions are answered click "Next" to continue to the next step.

What will your ownership type be? What type of employees will you have? Required

Business Licensing Wizard

1. Ownership/Employee Information

Ownership/Employee Information

Begin by answering the questions below. Once the questions are answered click "Next" to continue to the next step.

What will your ownership type be? What type of employees will you have? X

SOLE PROPRIETORSHIP

A Sole Proprietorship is one individual or married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

The Unified Business Identifier (UBI) number will be assigned upon receipt of a completed Business License Application.

Cancel

Cancel Previous Next

New Business License Search

BUSINESS LICENSE LOOKUP

[Clear search](#)
[Search](#)

Search for business license endorsements issued through the Washington State Business Licensing Service.

General search
 Trade name search
 Governing people search

Business name ?

UBI/Account ID ?

License no. ?

Endorsement type ?

Street address ?

City

County X

OTHER RESOURCES

- [Professional Licenses \(DOL\)](#)
- [Contractor, Electrician, or Plumber \(L&I\)](#)
- [Business Records \(DOR\)](#)
- [Corporations Registration Data \(SOS\)](#)
- [Health Care Provider Credential \(DOH\)](#)
- [Worker's Comp Premium Status \(L&I\)](#)
- [Suspect Fraud \(DOR\)](#)

RESULTS

Filter

1 - 50 of 889 1 of 18

Business Name	Legal Name	UBI	Business ID	Location ID	City	State
"TTT" AUTO SALES	BLUE CHIP MOTORS, L.L.C.	603-181-022	001	0002	SPOKANE	WA
2 BROKE GUYS AUTO REPAIR	COUNTRYMAN, ADAM	603-228-439	001	0001	SPOKANE	WA
2 WAY AUTO SALES	NOTSHE, INC.	601-437-438	001	0001	SPOKANE VALLEY	WA
4PLAY AUTOMOTIVE	HANSEN, RON D	601-977-958	001	0001	MEAD	WA
5 MILE AUTO CENTER	HOERNER, RODNEY J	600-140-987	001	0004	SPOKANE	WA
520 AUTO GROUP	THE HERMANN GROUP, L.L.C.	602-993-128	001	0001	DEER PARK	WA

My DOR – Login

Department of
Revenue
Washington State

My DOR

My DOR

Please sign in to access this service.

User ID

Password

Sign In

One User ID gives access to multiple Washington state government services.
[Forgot your User ID?](#)
[Forgot your password?](#)
[Activation code?](#)

Need assistance? Contact us
[Your Privacy](#) | [Access Agreement](#)
© 2016 Washington State Department of Revenue and its licensors. All rights reserved.

My DOR

Register

Enter your contact information

Name

Email

Confirm email

Create a User ID and password

User ID

Password

Confirm password

Secret question

Secret question answer

New User?
[See if you have a User ID](#)

Sign Up

powered by
SecureAccess
WASHINGTON®

My DOR – Business Licensing Home

Business Licensing Home View Support ID Log Off

USER INFO

John Smith
lisac@dor.wa.gov

I WANT TO...

- File Business License Application
- Update My Profile
- Add Access to a Business

REQUESTS **MESSAGES⁰**

Last 3 Years All

LAST 3 YEARS Filter

Confirmation #	Title	Period	Submitted	Processed	Account Id	Account Type	Status	User ID
----------------	-------	--------	-----------	-----------	------------	--------------	--------	---------

My DOR – Online Business Application

APPLES TO APPLES INC » **Online Business Application** View Support ID Log Off

ONLINE BUSINESS LICENSE APPLICATION

APPLICATION

Purpose of Application

APPLICATION

Purpose of Application

You are submitting an application to open a new business location under the UBI listed below. Please fill out all of the required information, the request will not be processed until you click "Submit" after you enter your payment information.

CUSTOMER INFORMATION

Customer name: APPLES TO APPLES INC

UBI: 603-002-210

FILING

Do you want to file a separate excise tax return for this location/activity? Yes No

USE OUR WIZARD TO FIGURE OUT WHAT YOU NEED

The Business Licensing Wizard helps you determine the endorsements you need for your business. Step through the wizard and use the reference code to transfer the information to your application. [Click here](#) to use the Business Licensing Wizard

If you have a reference code from the Business License Wizard, enter it here

Wizard Reference Code

My DOR – User Help

The screenshot shows the State of Washington Business Licensing Service website. At the top, there is a navigation bar with links for Home, Start your business, Change or update your business information, and How to renew your license. A sidebar on the left contains links for Start a business, Change or update your business, and Renew your license. The main content area features an important announcement about the My DOR system's availability starting June 6, 2016. Below this, the 'My DOR' section explains that it is the Department of Revenue's new online application for business licensing and lists several capabilities: filing annual renewals, submitting Business License Applications, checking account status, paying fees, and updating business information. The page also provides instructions for registering for My DOR, distinguishing between users who do and do not have a Secure Access Washington (SAW) user ID. Finally, it details the steps for setting up My DOR, including adding services and linking specific businesses to the user's account.

State of Washington
Business Licensing Service

Contact us | Forms | About us

Home | Start your business | Change or update your business information | How to renew your license

Start a business
Change or update your business
Renew your license

Important: My DOR will be available beginning June 6. Any business that has a location renewal or Secretary of State annual report due by May 31 should renew online by May 24, 2016. Between May 25 and June 5, the Department of Revenue will only accept paper applications and renewals.

My DOR

My DOR is the Department of Revenue's new online application for business licensing. With My DOR, you can:

- File an annual renewal
- File a Business License Application
- Check on the status of a business account
- View and pay any outstanding fees
- Update account and business information

Registering for My DOR

You can access My DOR by clicking on the Login button in the upper right corner. You will need a Secure Access Washington (SAW) user ID.

If you do not have a SAW User ID

- Click **Sign Up** in the upper right corner and follow the prompts.
- You will receive an email with a link to activate your account. Click on the link to get started.
- Click **Login** and enter your user ID and password.
- Follow the directions under Setting up My DOR.

If you have a SAW User ID

- Click **Login** in the upper right corner.
- Login with your SAW user ID.
- Follow the directions under Setting up My DOR.

Setting up My DOR

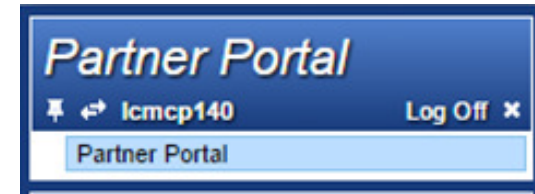
Once you're logged in with your SAW user ID, you need to add My DOR to your services:

- Click **Add Services**.
- Click **Open** next to Business Licensing.
- Click **Add Access to Business** and enter the UBI and letter ID for the business you're trying to access. The letter ID is found on your renewal letter.

- Help information page on business.wa.gov/BLS
- “How To” videos available on:
 - Setting up your login
 - Adding access to your business
 - Adding attachments

New Partner Portal

- New system simplifies our partners' licensing work
 - Fewer steps to update endorsement statuses
 - Enhanced searches, including wildcards (*)
 - City limits locator (GIS) to ensure appropriate local licensing
 - View license and other images directly in the system
 - Robust reporting on licensees and endorsements



Search Customer



Work



Reports

New Partner Portal – Viewing Customers

Partner Portal
Icmcp140 Log Off

Search

SEARCH TASK CRM COLLECTION PAYMENT REFUND WEB

HISTORY SEARCH ACCOUNT TYPE IMAGES

HISTORY

TODAY

BETTER CALL SAUL INC
UBI/CID: 603-001-731
1224 S PIONEER WAY MOSES LAKE WA 98837-2347

YUM YUM TACOS INC
UBI/CID: 603-003-101
1712 FRONT ST LYNDEN WA 98264-1261

Partner Portal
Icmcp140 Log Off

Search

YUM YUM TACOS INC: 3101

WAY

Data: Icmcp140
RunDate: May-19-2016
Last Request: 1210ms (1166ms)
Decode Info

Customer
YUM YUM TACOS INC: 3101

CUSTOMER: CORPORATION

Balance : 0.00 Customer : 603-003-101
UBI/CID : 603-003-101 YUM YUM TACOS INC
Commence : Jul-01-2012 1712 FRONT ST LYNDEN WA 98264-1261

RECENT NOTES Add Hide Related View All

OPEN TASKS View All
Business License Business License Application

REGISTRATION CRM TASK FINANCIAL ADJUSTMENT WEB SECURITY OTHER

ACCOUNTS² CUSTOMER IDS⁴ TRADE NAMES⁰ NAMES¹ ADDRESSES² CONTACTS¹ NAICS⁰ LINKS⁰ DEALER PLATES⁰

ACCOUNTS 0.00 Hide Ceased Filter

Account	Profile	Account Type	Filing	Balance	Name	Address
603003101-001-0001	002	License	Daily	0.00		
603003101-001-0000	003	Secretary of State	Daily	0.00		
2 Rows				0.00		

Questions?



Miscellaneous Updates & Closing

Patti Wilson
Local Government Liaison

Evaluations will be sent via email, please provide feedback