



**Local Government Partnership Meeting
Western Washington
May 29, 2019**

- 8:30 – 9:00 **Registration**
- 9:00 – 9:10 **Welcome**
Vikki Smith, Director
- 9:10 – 9:40 **Economic & Revenue Forecast Council**
Steve Lerch, PhD., Executive Director & Chief Economist
- 9:40 – 10:00 **Joint Legislative Audit and Review Committee**
Dana Lynn & Rachel Murata
- 10:00 – 10:20 **Break**
Attendees are welcome to join Revenue employees in a celebration of Memorial Day
- 10:20 – 10:50 **Local Tax**
Ashley Boss & Jessica Hicks, Taxpayer Account Administration managers
- 10:50 – 11:10 **Marketplace Fairness Update**
Patti Wilson, Remote Seller Legislation Project Manager
- 11:10 – 11:40 **2019 Legislation**
Miki Gearhart & Andre Unicume, Legislation and Policy specialists
- 11:40 – 12:00 **Protecting Confidential Taxpayer Info**
Cliff Magness, Privacy Officer
- 12:00 – 12:15 **Leasehold Excise Tax**
Andy Van Gerpen, Miscellaneous Tax manager
- 12:15 – 12:30 **Business Licensing Service Partnership Update**
Eric Jones, Partnership Services

Washington State Economic Update

Presented to
Local Government Partnership Meeting

Steve Lerch
Executive Director

May 29, 2019
Tumwater, Washington



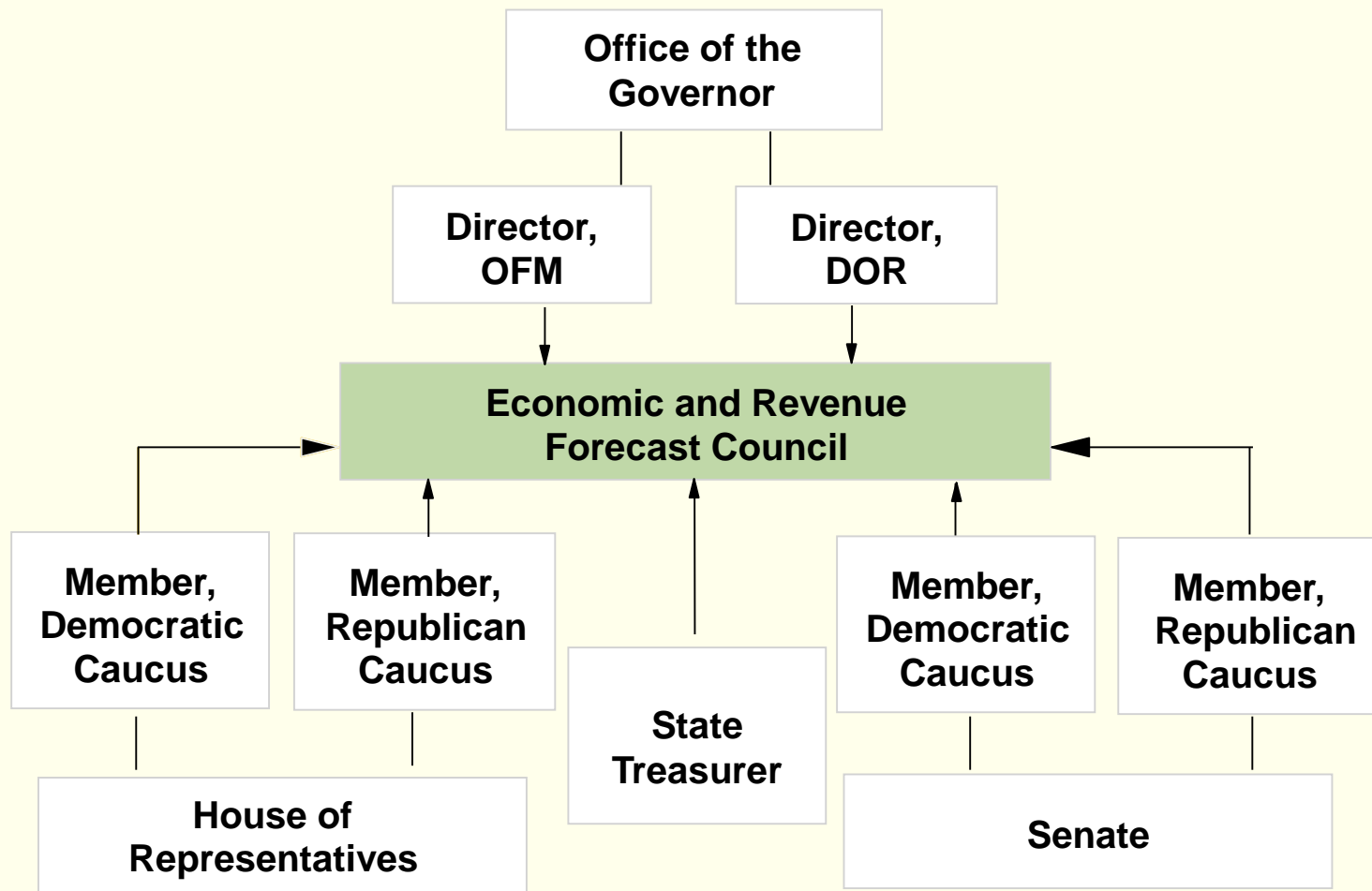
**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Economic and Revenue Forecast Council Organization Chart

ERFC

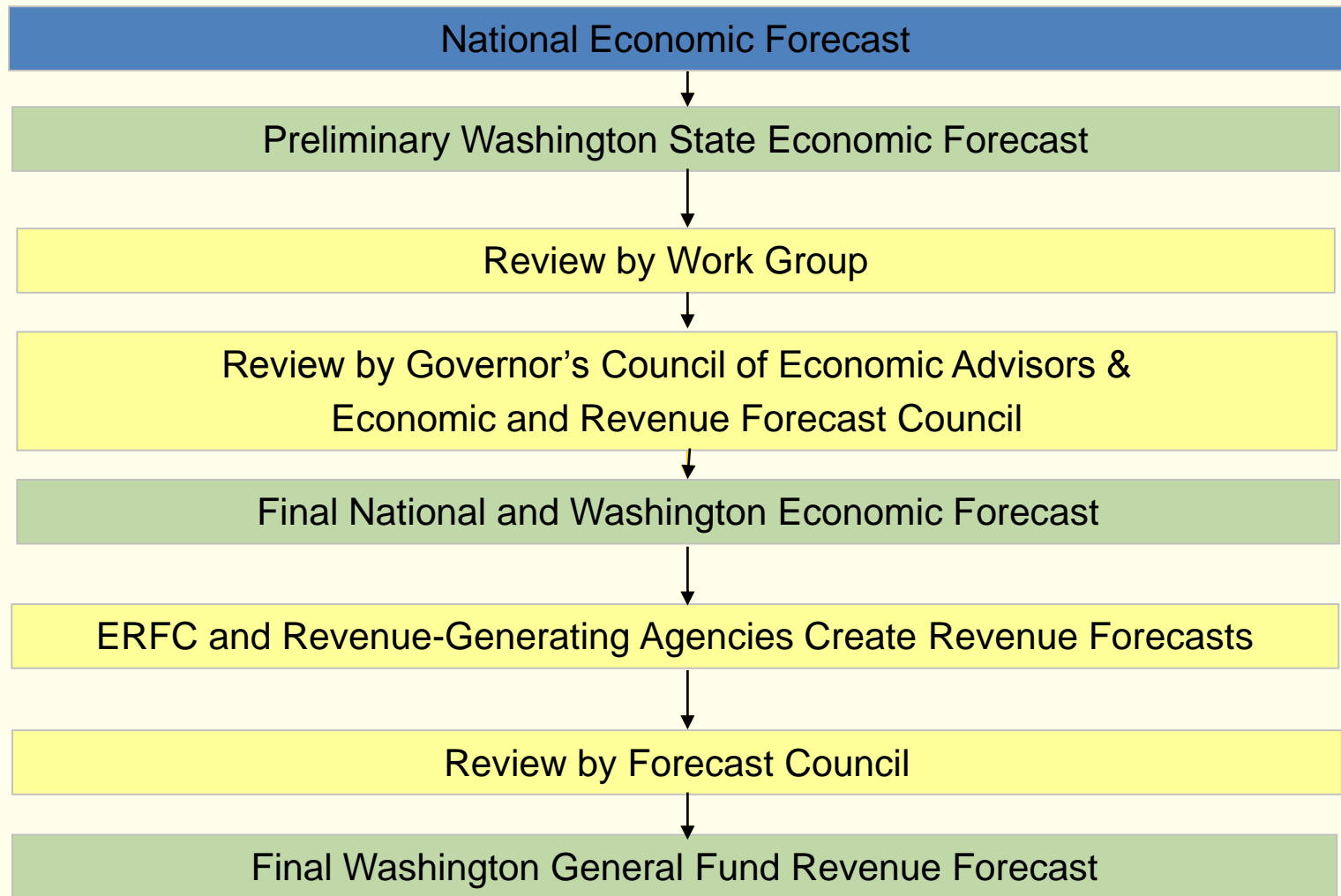
- Created in 1984 as part of Dept. of Revenue
- Became separate agency in 1990





ERFC Forecast Process

The national economic forecast is based on a modified version of the IHS Markit model of the U.S. economy



WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- U.S., WA forecasts similar to the November forecast
- Baseline forecast has slowing growth but no recession
- Wage growth and inflation remain moderate
- Downside risks to the baseline include uncertainty regarding trade and fiscal policy, geopolitical concerns and a maturing economic expansion
- Potential impact of 737 MAX grounding adds a new downside risk
- The Near General Fund-State forecast is increased by \$307 million for the 2017-19 biennium and by \$554 million for 2019-21 biennium



Selected forecast risks

Labor markets

- Unemployment rate, initial UI claims low
- Job growth dipped in February but bounced back

737 MAX

- Currently, impact on WA employment and personal income unclear

International trade policy

- China – U.S. trade deal remains uncertain

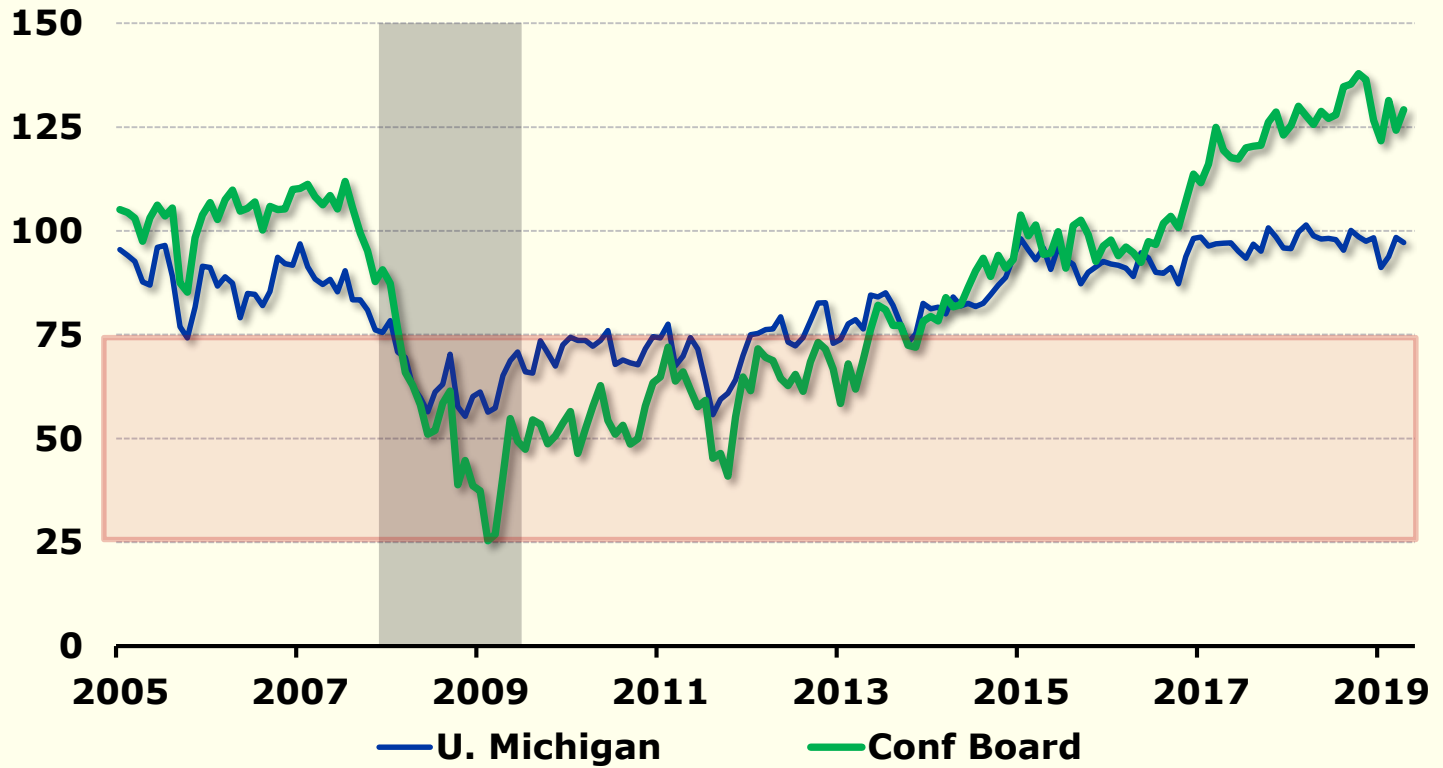


Consumer confidence dipped in late 2018 but has partially recovered, remains strong

Index

Mich: 1966Q1 = 100, SA

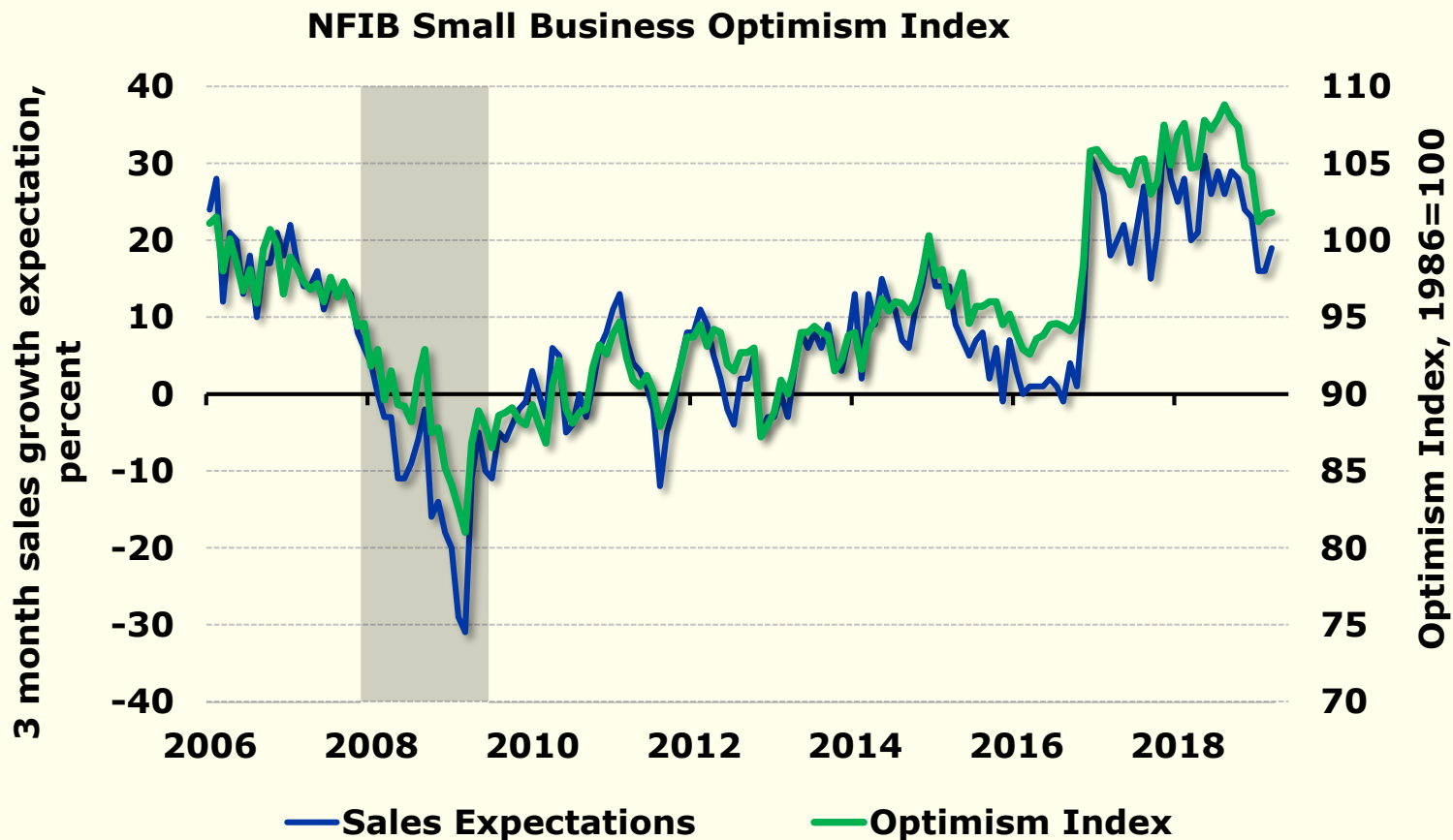
Conf Board: 1985 = 100, SA



Sources: University of Michigan, Conference Board; data through April 2019



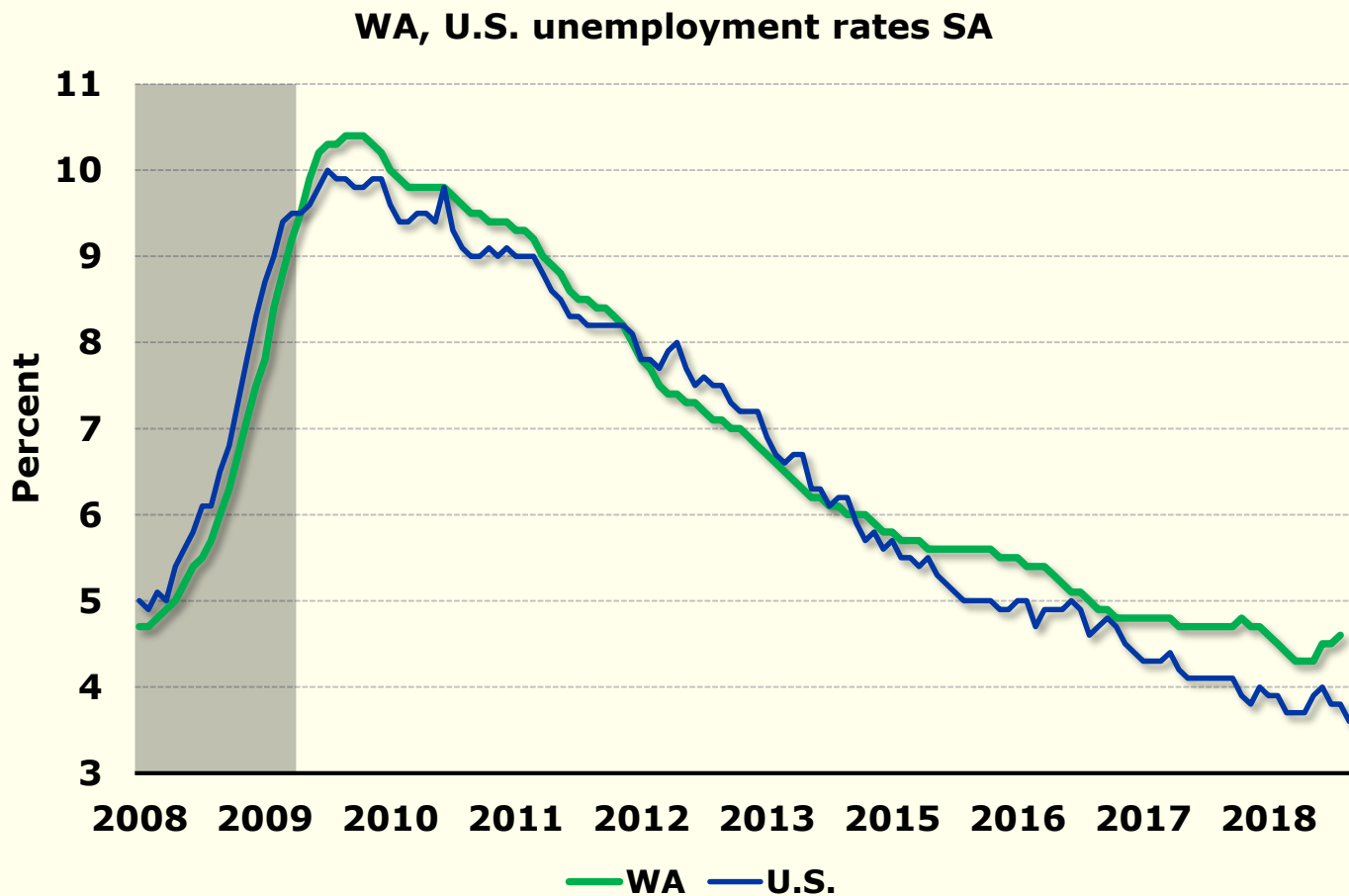
Small business optimism has weakened recently but remains strong



Source: National Federation of Independent Business; data through Mar. 2019



WA, U.S. unemployment rates are below pre-recession levels

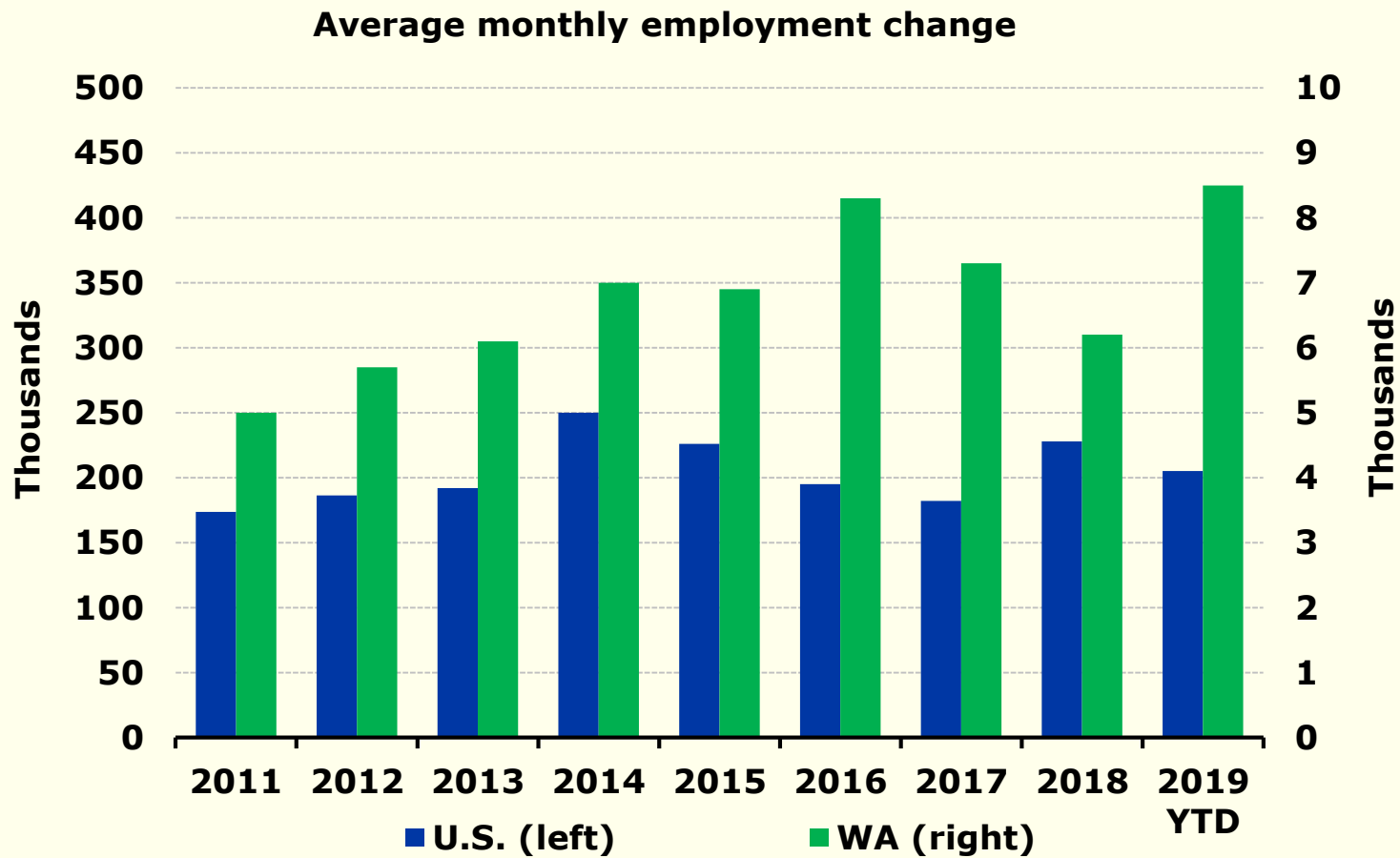


Source: Bureau of Labor Statistics, Employment Security Dept.; WA data through Mar. 2019, U.S. data through Apr. 2019

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U.S. job growth slowed in February but picked up in March and April

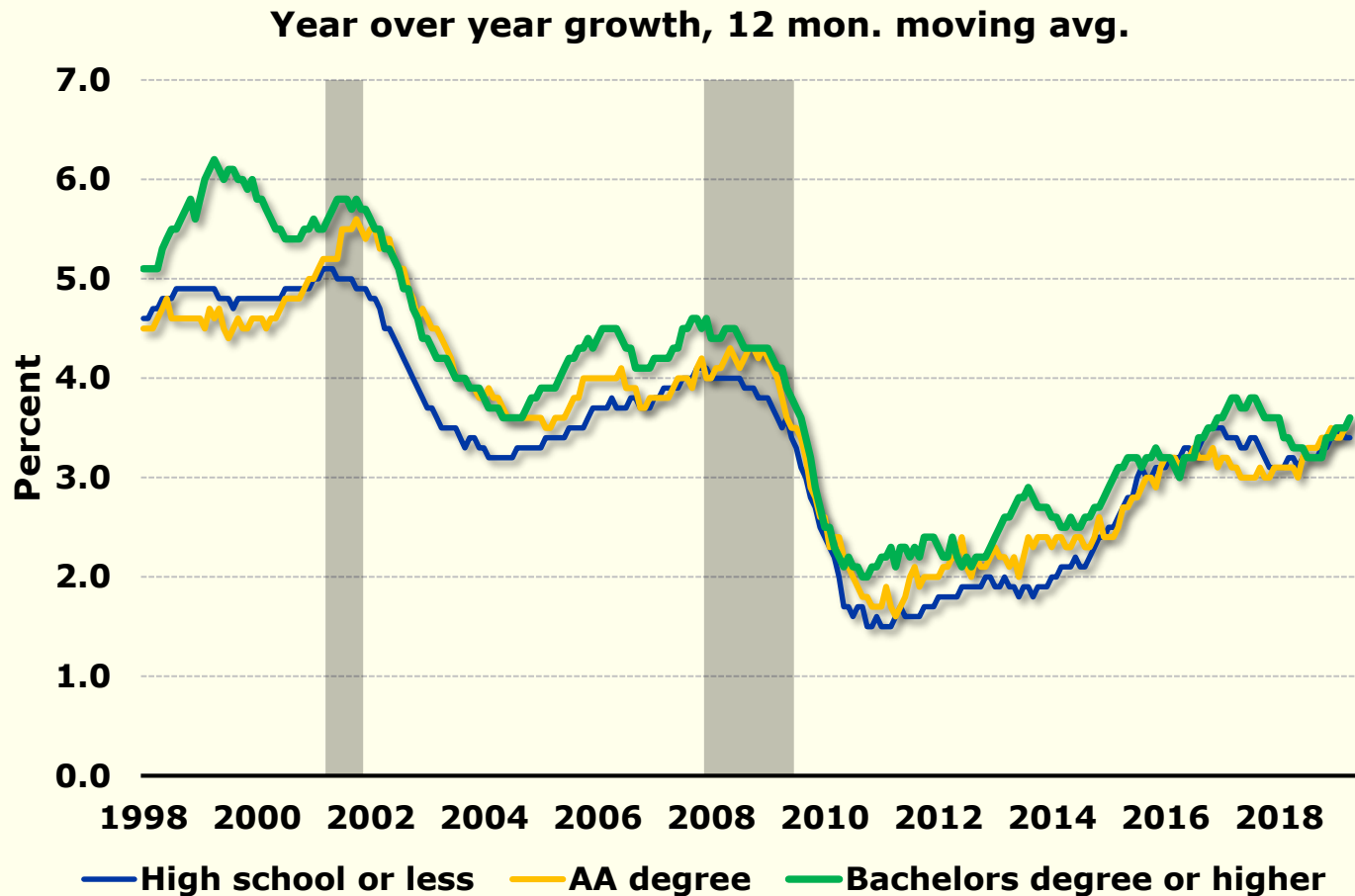


Source: Bureau of Labor Statistics, Employment Security Dept.; WA data through Mar. 2019, U.S. data through Apr. 2019

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Nominal wage growth has averaged 3.3% - 3.4% in last 12 months regardless of educational level

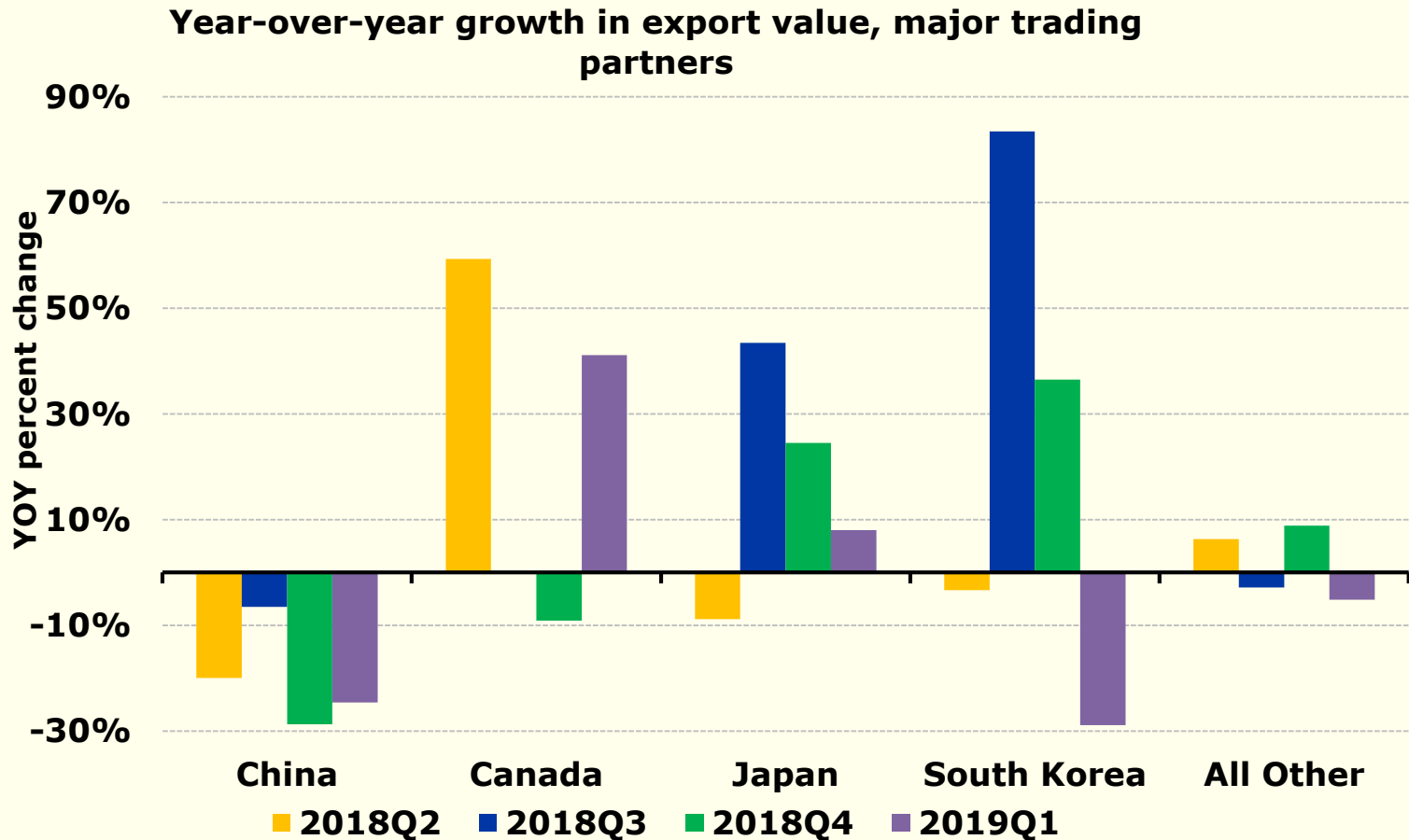


Source: Federal Reserve Bank of Atlanta, data through Apr. 2019



Exports to China have declined for four consecutive quarters

On a year-over-year basis, WA exports declined in 2018 Q4 and 2019 Q1



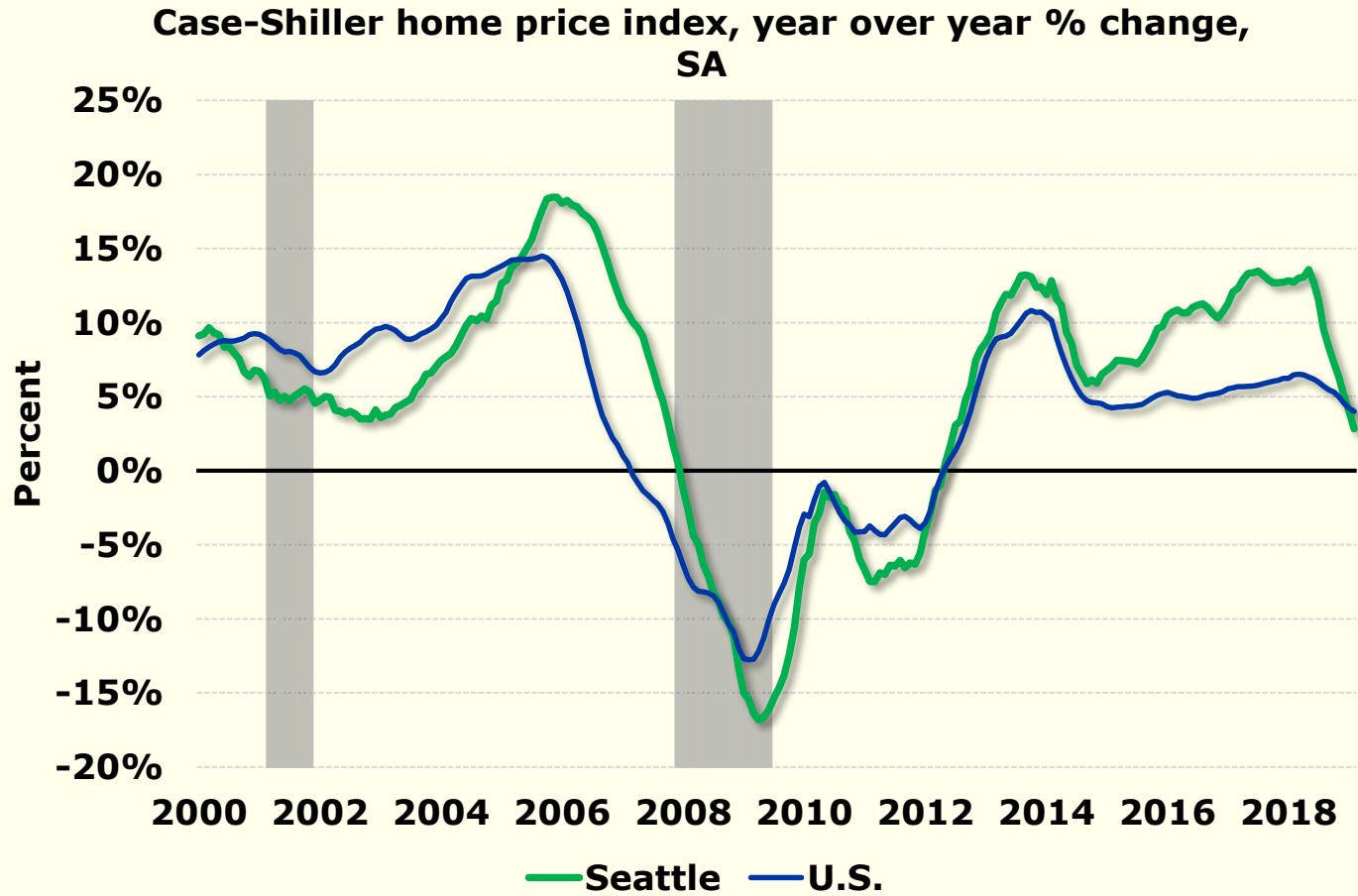
Source: WISERTrade; data through 2019 Q1

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Home price growth is slowing

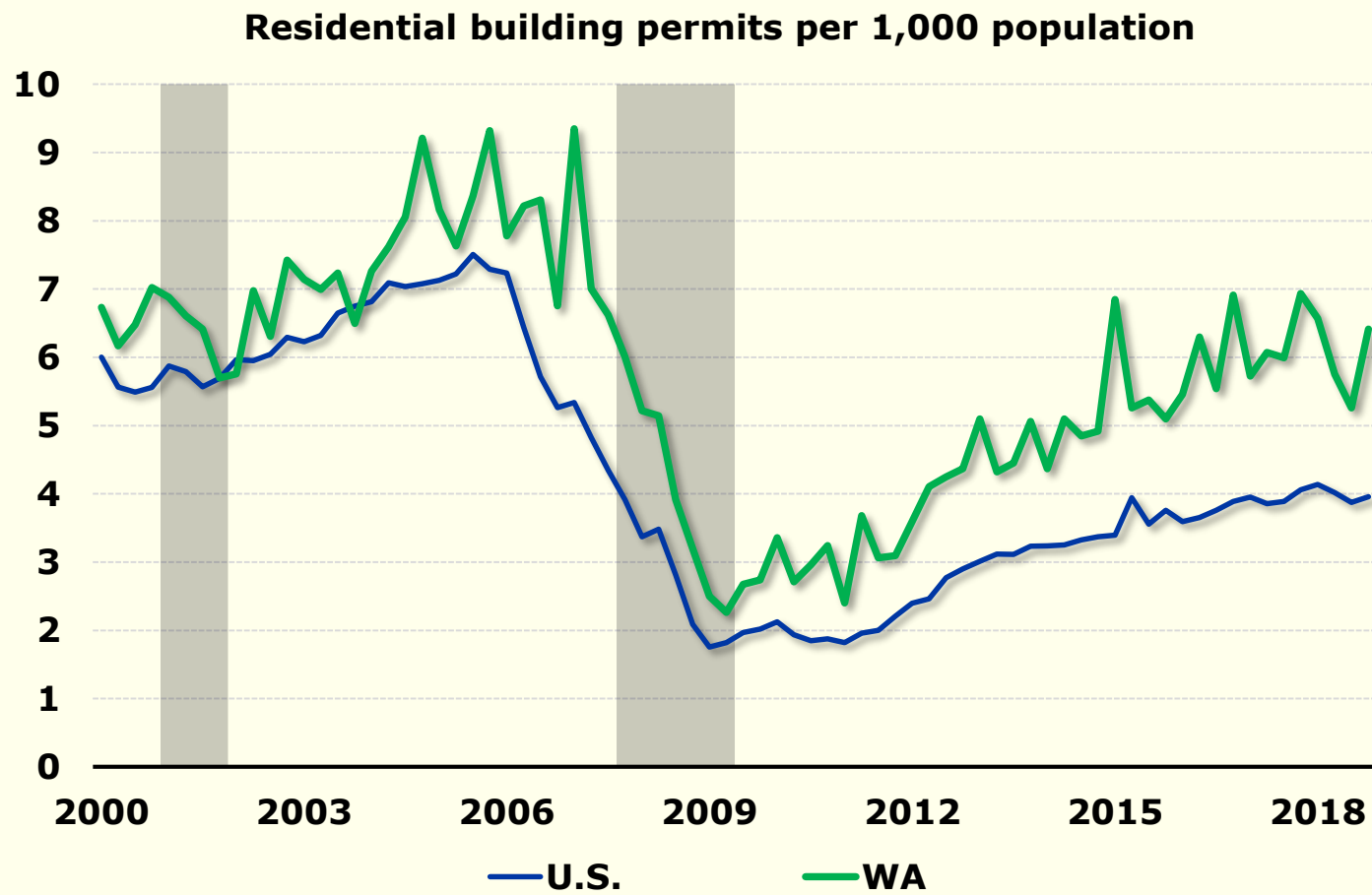
The Case-Shiller index for Seattle grew more slowly than the U.S. index in the last two months.



Source: Case-Shiller, data through February 2019



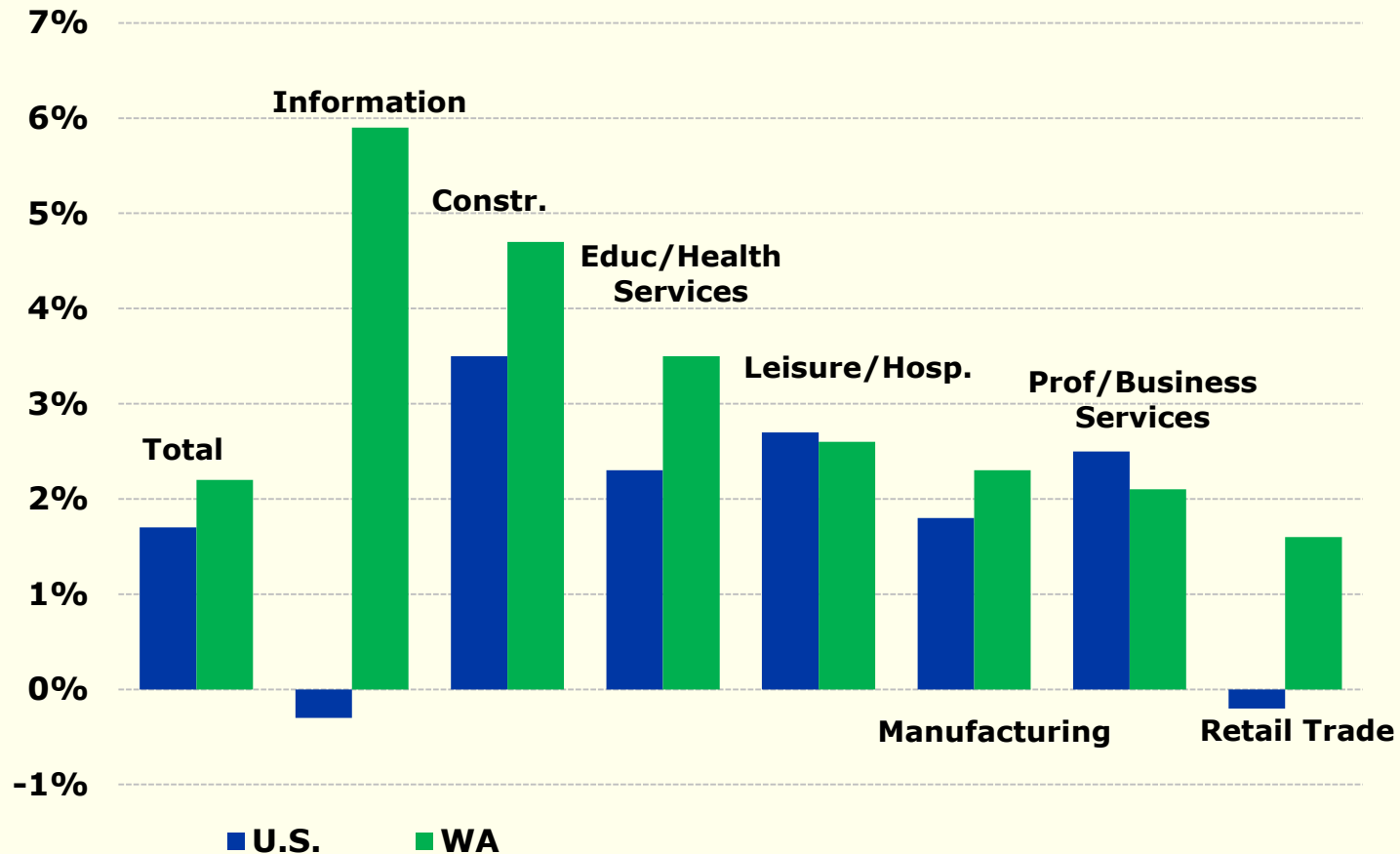
Relative to population, WA residential construction activity is stronger than the U.S.



Source: U.S. Census Bureau, ERFC; data through 2018 Q4



Washington vs U.S. employment growth: Mar. 2018 to Mar. 2019



Source: U.S. Bureau of Labor Statistics, Employment Security Dept., ERFC; data through Mar. 2019

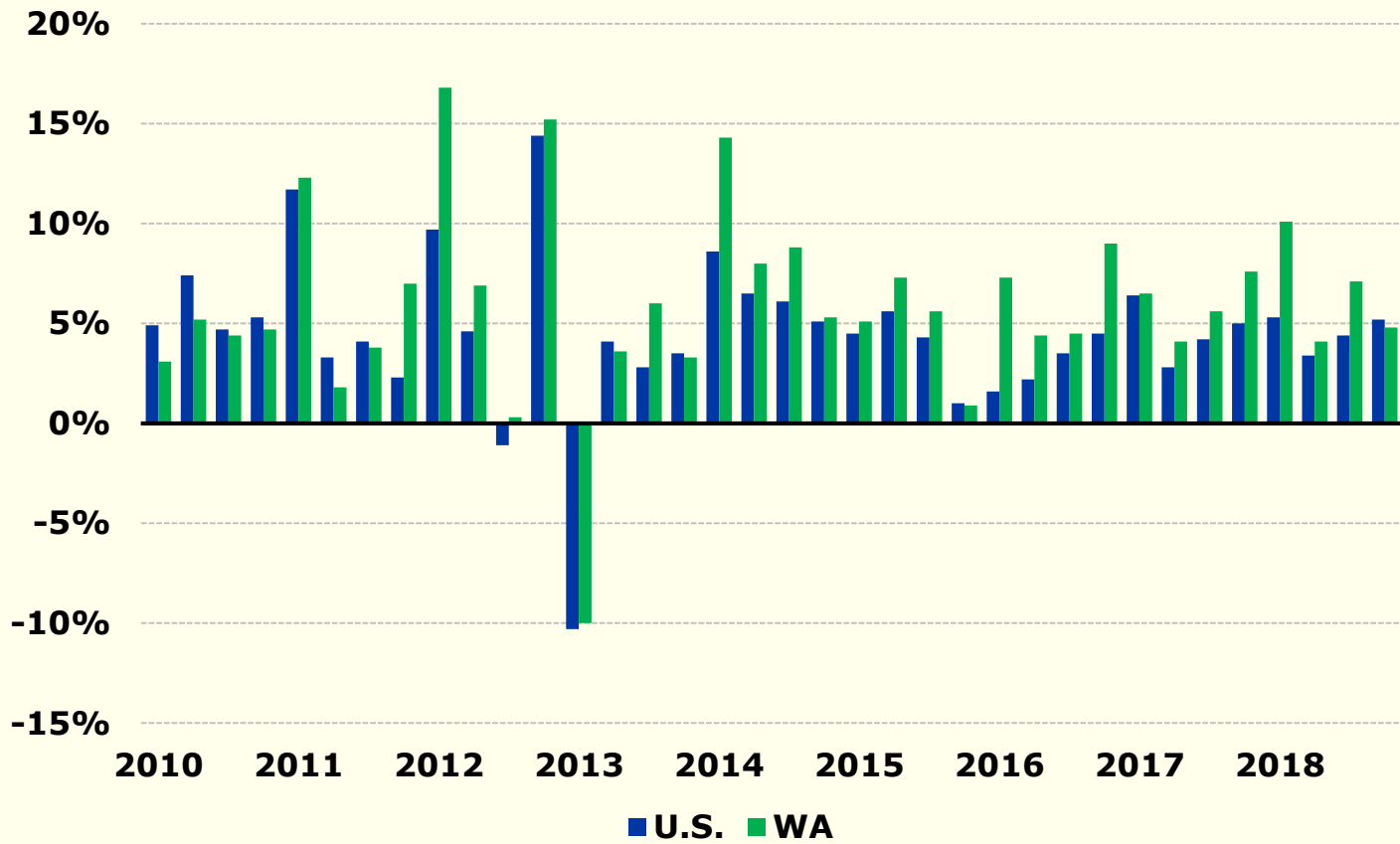
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WA personal income growth has outpaced the U.S. in 26 of last 36 quarters

WA personal income growth is expected to average 4.8% per year for 2019 - 2023

U.S. and WA personal income growth



Source: U.S. Bureau of Economic Analysis, data through 2018 Q4



U.S. retail sales growth slowed in last half of 2018, may be bouncing back

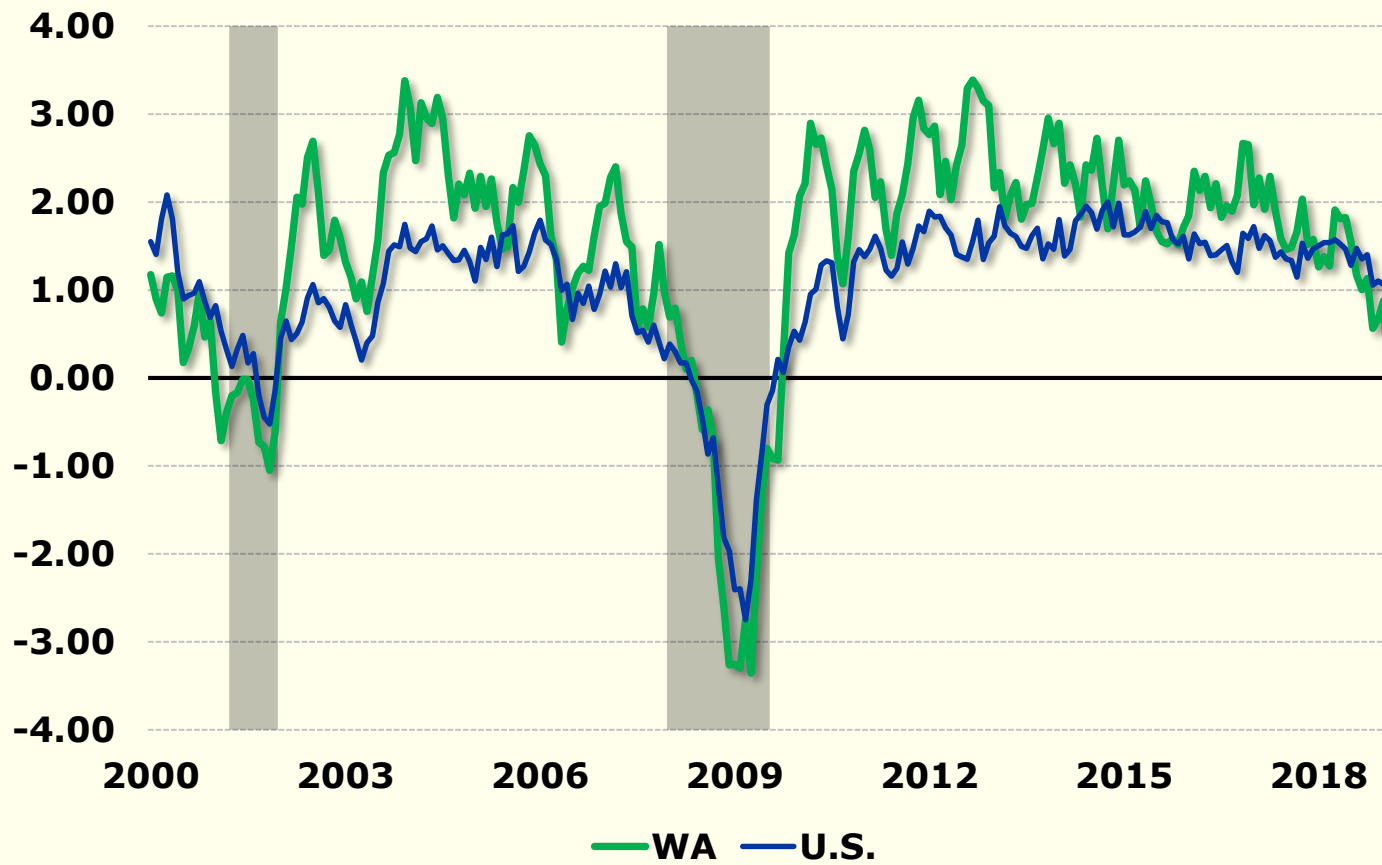


Source: U.S. Census Bureau data through Mar. 2019 advanced release



Leading economic indexes for U.S. dipped recently but do not suggest a recession in near term

Besides WA, five other states had negative index values in February

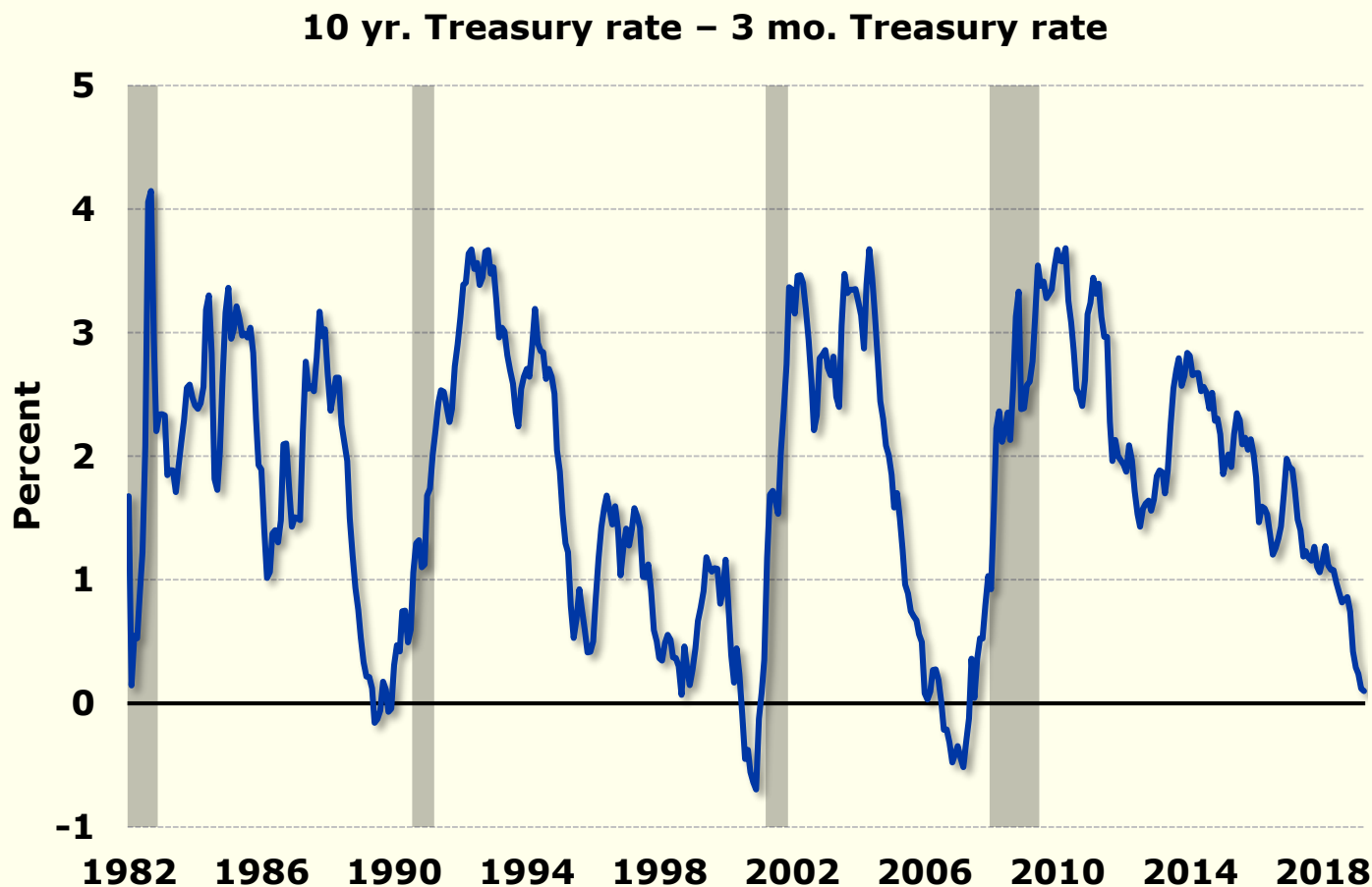


Source: Federal Reserve Bank of Philadelphia, data through Feb. 2019



An inverted yield curve (short-term interest rates > long-term rates) is a consistent recession predictor

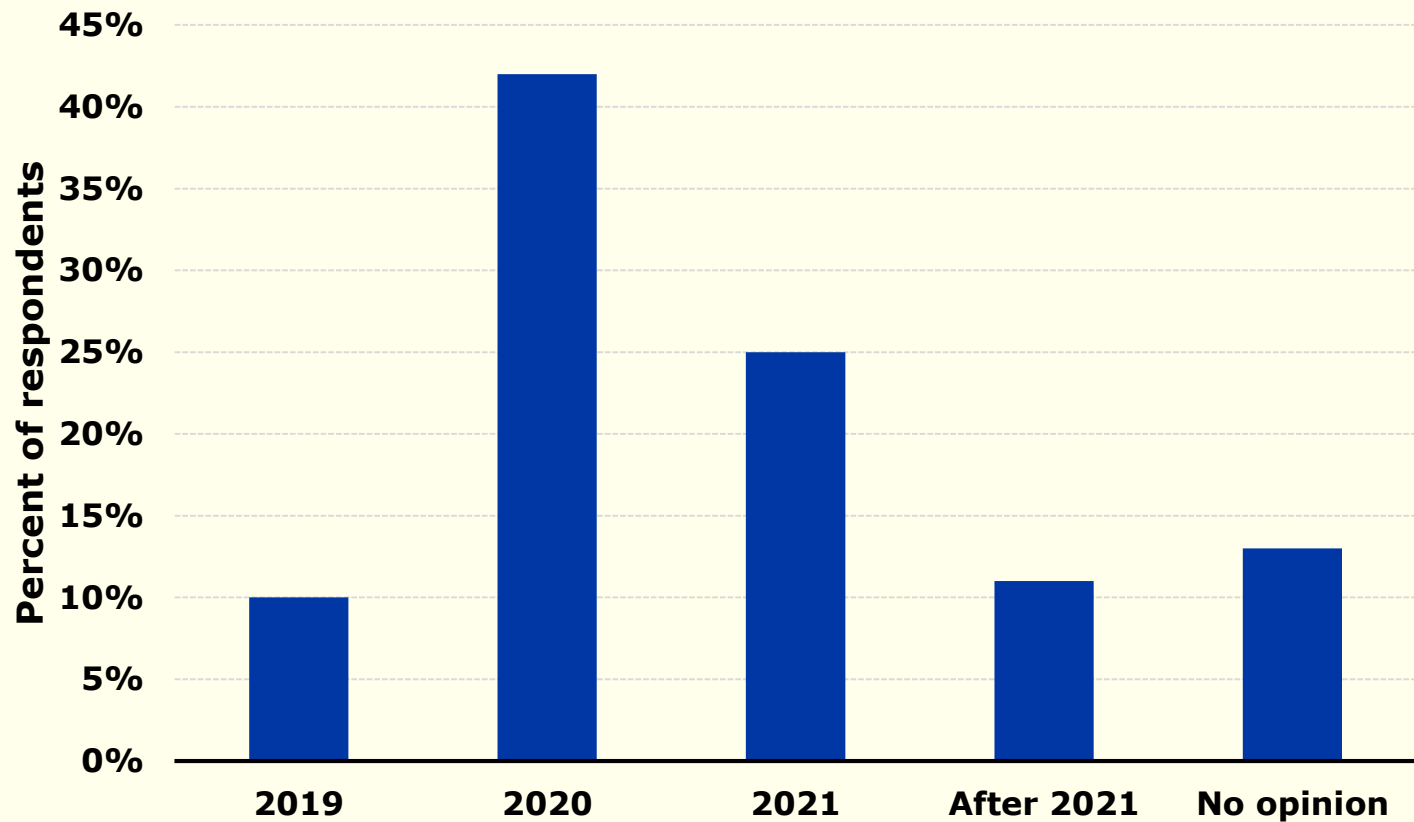
Although not apparent with the monthly averages shown here, the yield curve inverted from Mar. 22nd until Mar. 28th



Source: Federal Reserve Bank of St. Louis, monthly data through Apr. 2019



Timing of next recession: National Assoc. of Business Economists survey



Source: National Association of Business Economists, Economic Policy Survey, Feb. 2019

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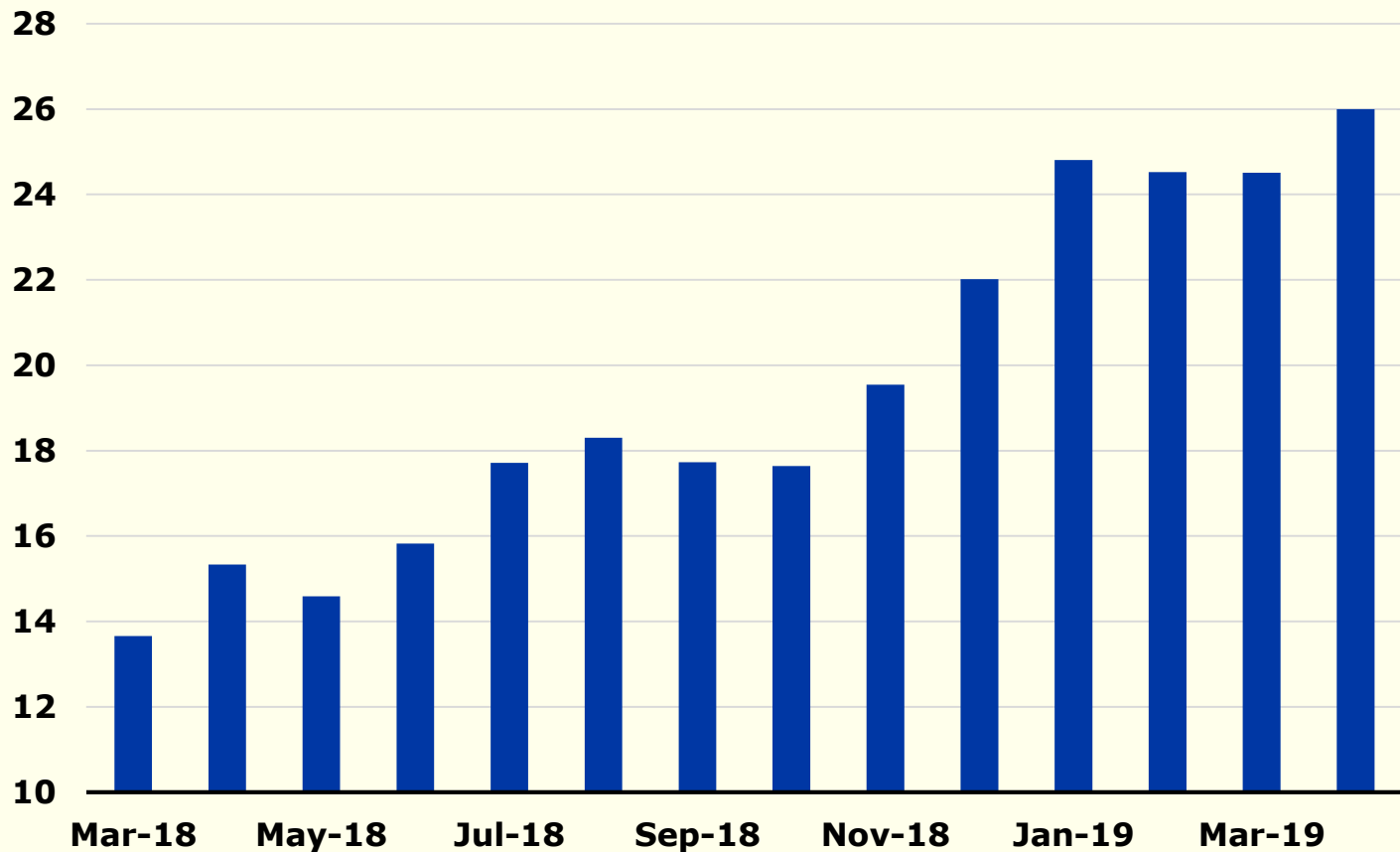


Wall Street Journal economists' survey shows recession probability rising but still relatively low

GCEA members
(Mar. 2019):

Average probability of recession in next 12 months = 36%

Probability of recession in next 12 months

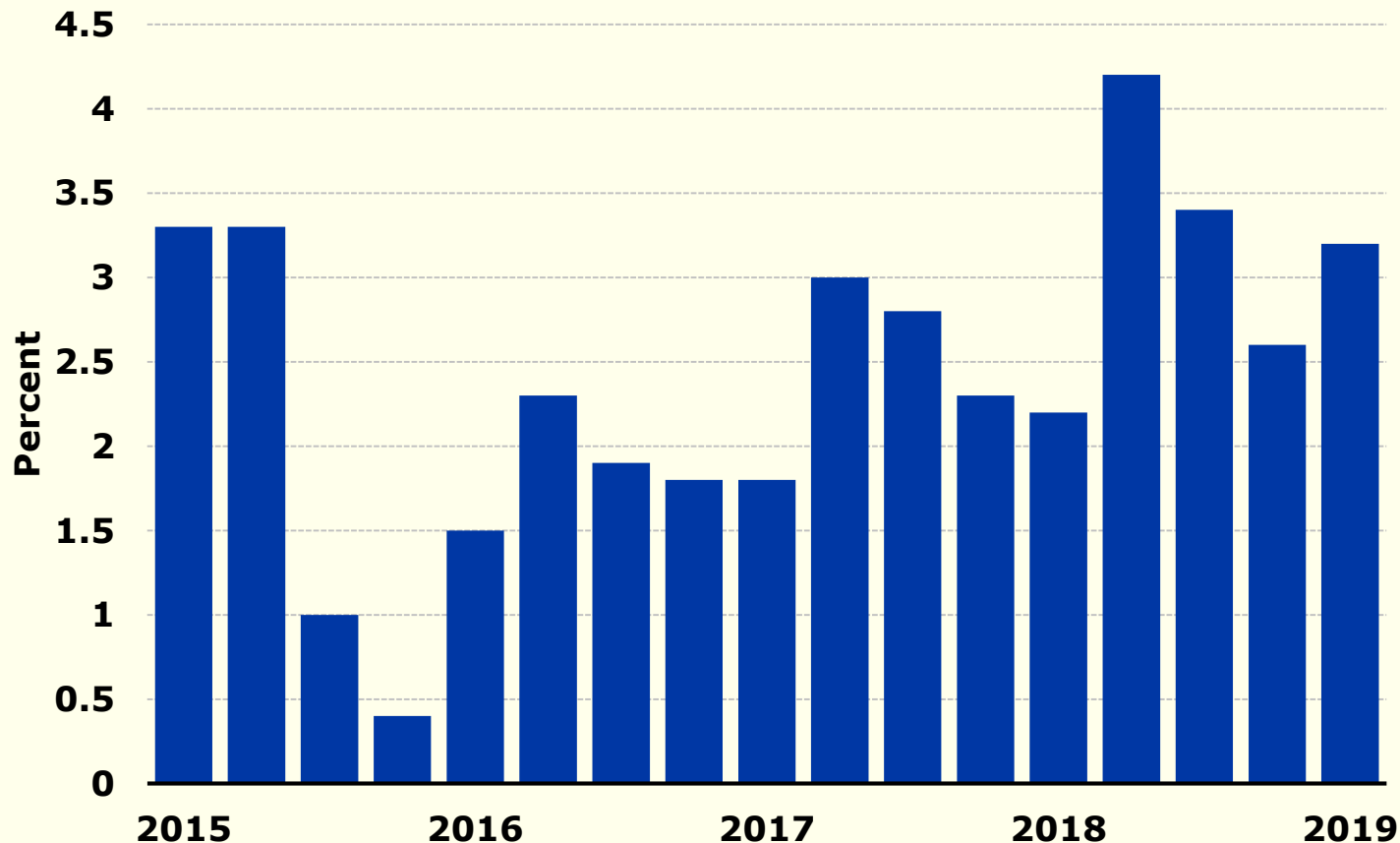


Source: Wall Street Journal economists' survey, data through Apr. 2019



U.S. real GDP growth slowed then picked up in 2019 Q1

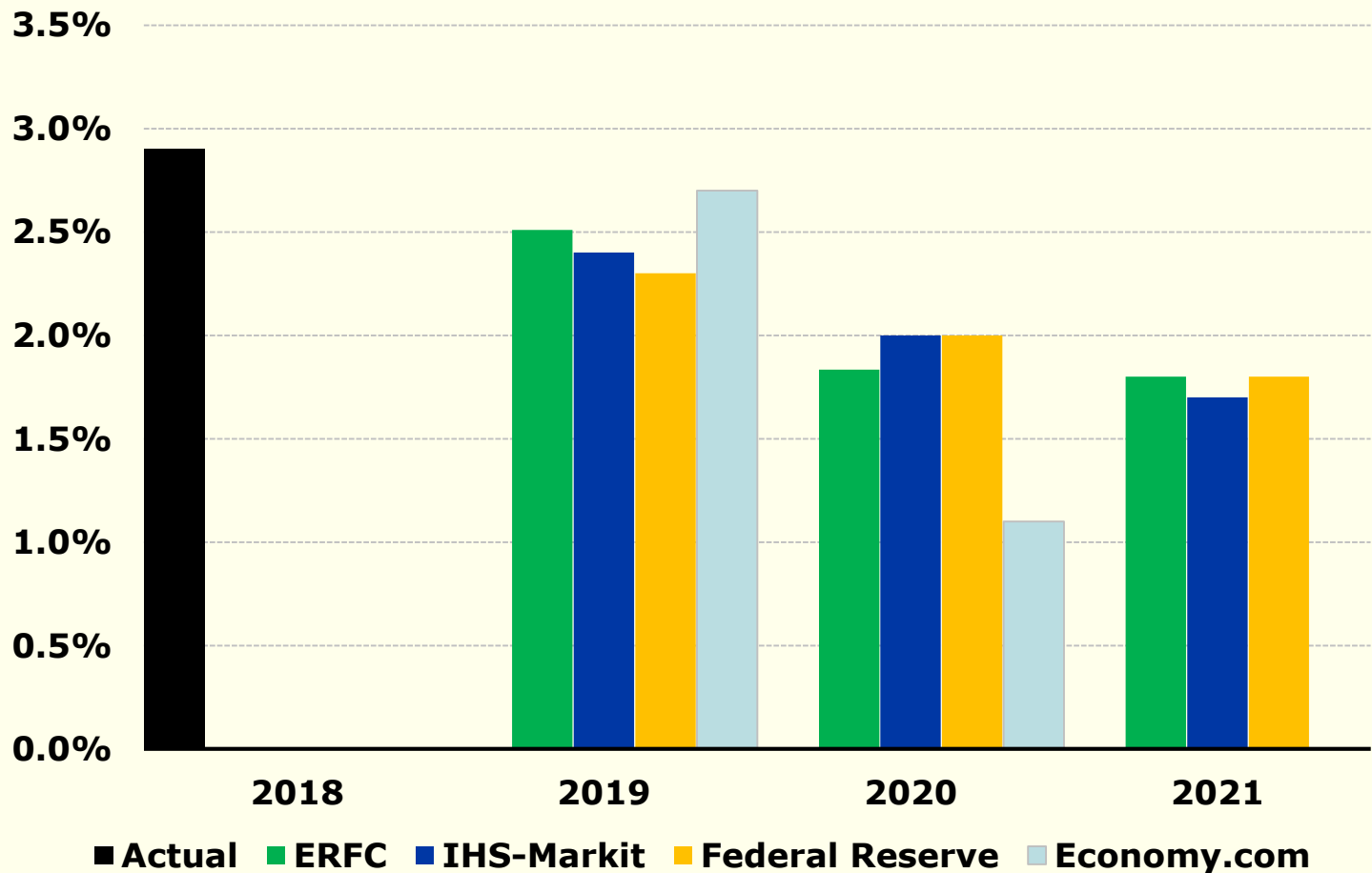
First quarter 2019 growth due in part to inventory accumulation that is unlikely to be repeated in the second quarter.



Source: U.S. Bureau of Economic Analysis. Data through Q1 2019



Many forecasters expect U.S. economic growth is to slow further



Sources: U.S. Bureau of Economic Analysis, ERFC Mar. 2019 preliminary forecast, IHS-Markit, Federal Reserve Board, Economy.com

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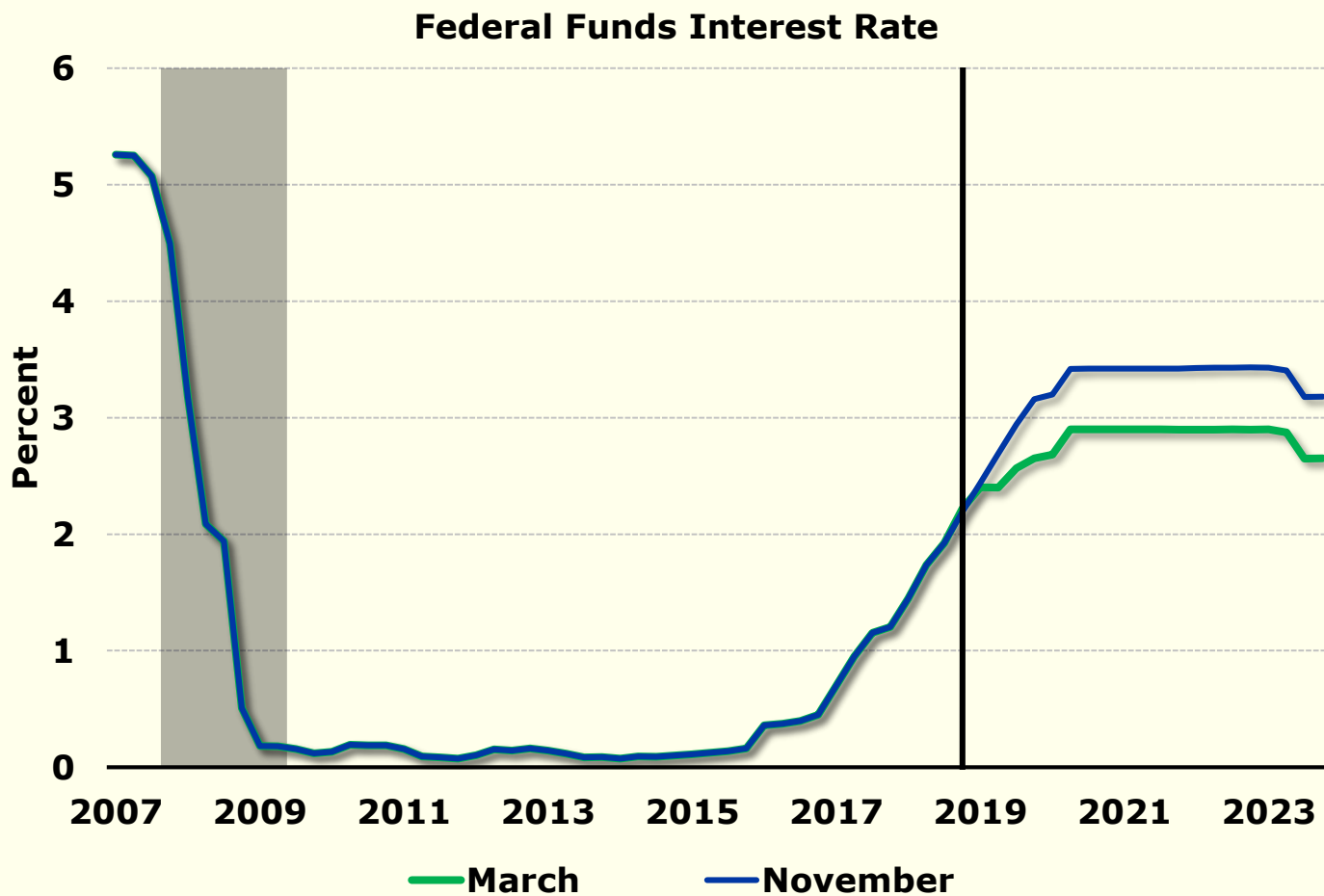


Oil prices are slightly lower than in the November forecast





The Federal Reserve is not expected to raise interest rates as high as anticipated in November



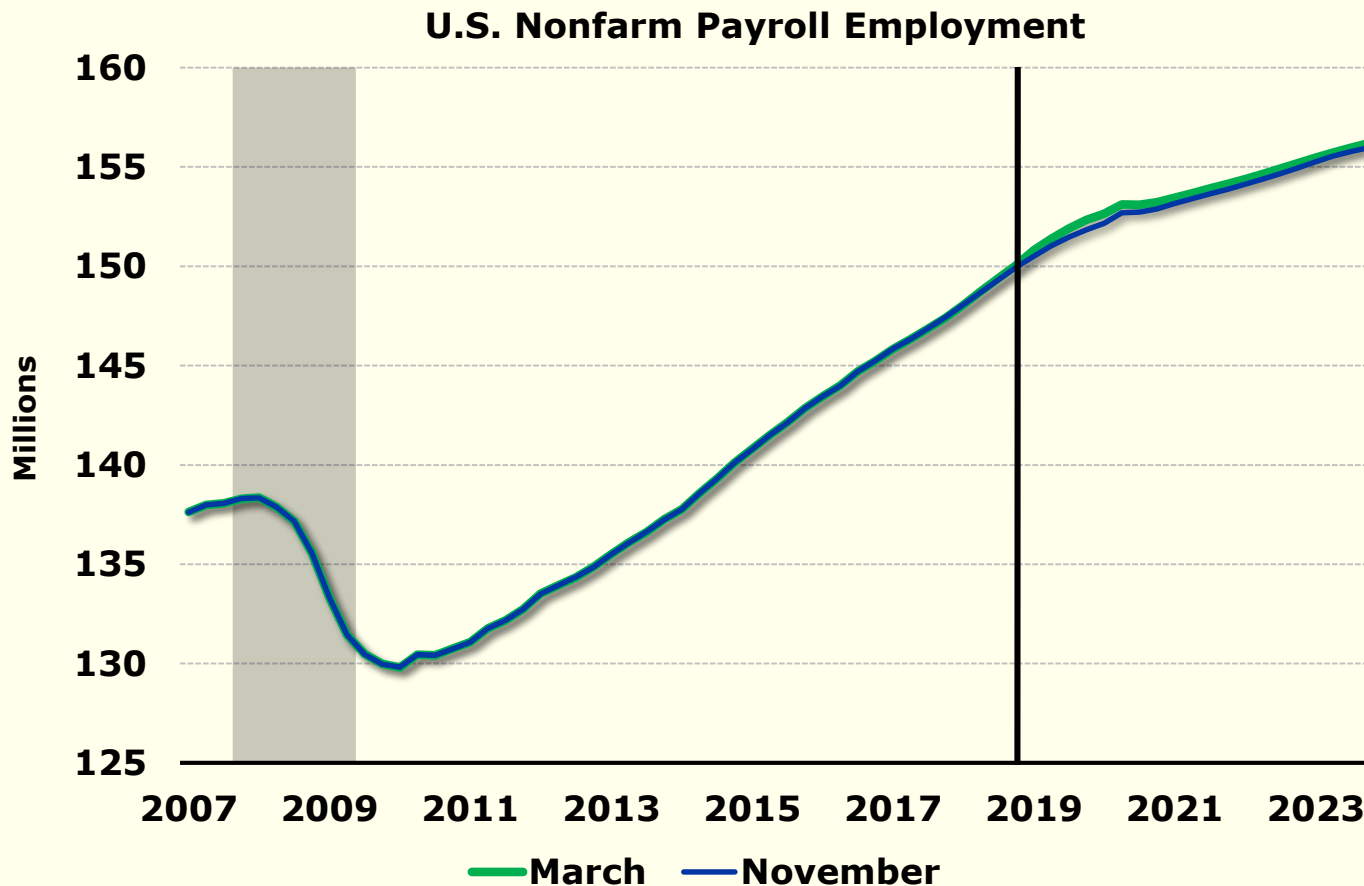
Source: ERFC March 2019 Preliminary forecast; historical data through Q4 2018

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U.S. nonfarm payroll employment growth is slightly higher than in November

By the end of 2023, employment is 0.1% higher than in the November forecast.



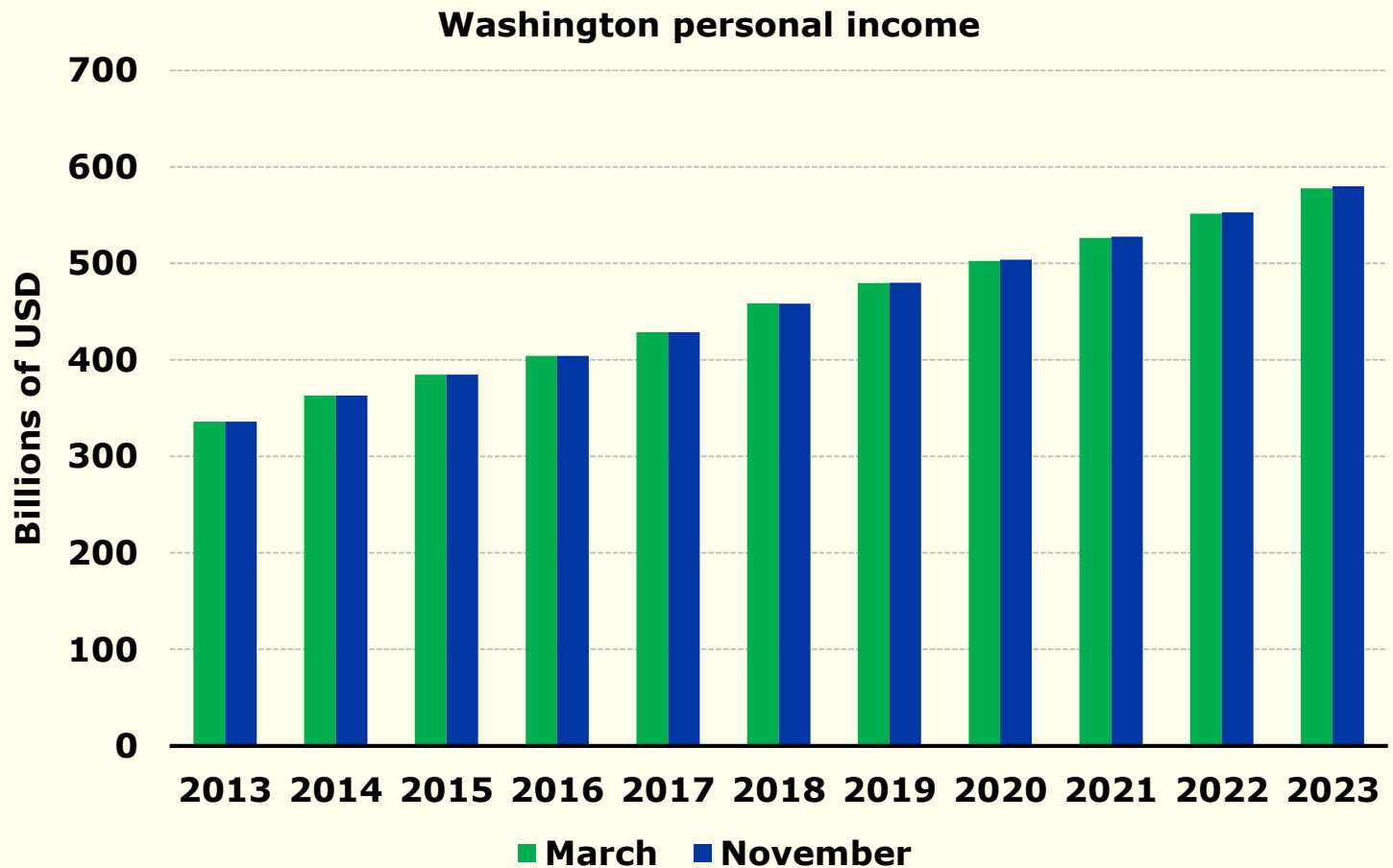
Source: IHS Markit, ERFC; data through Q4 2018

Note: Vertical black line indicates last actual

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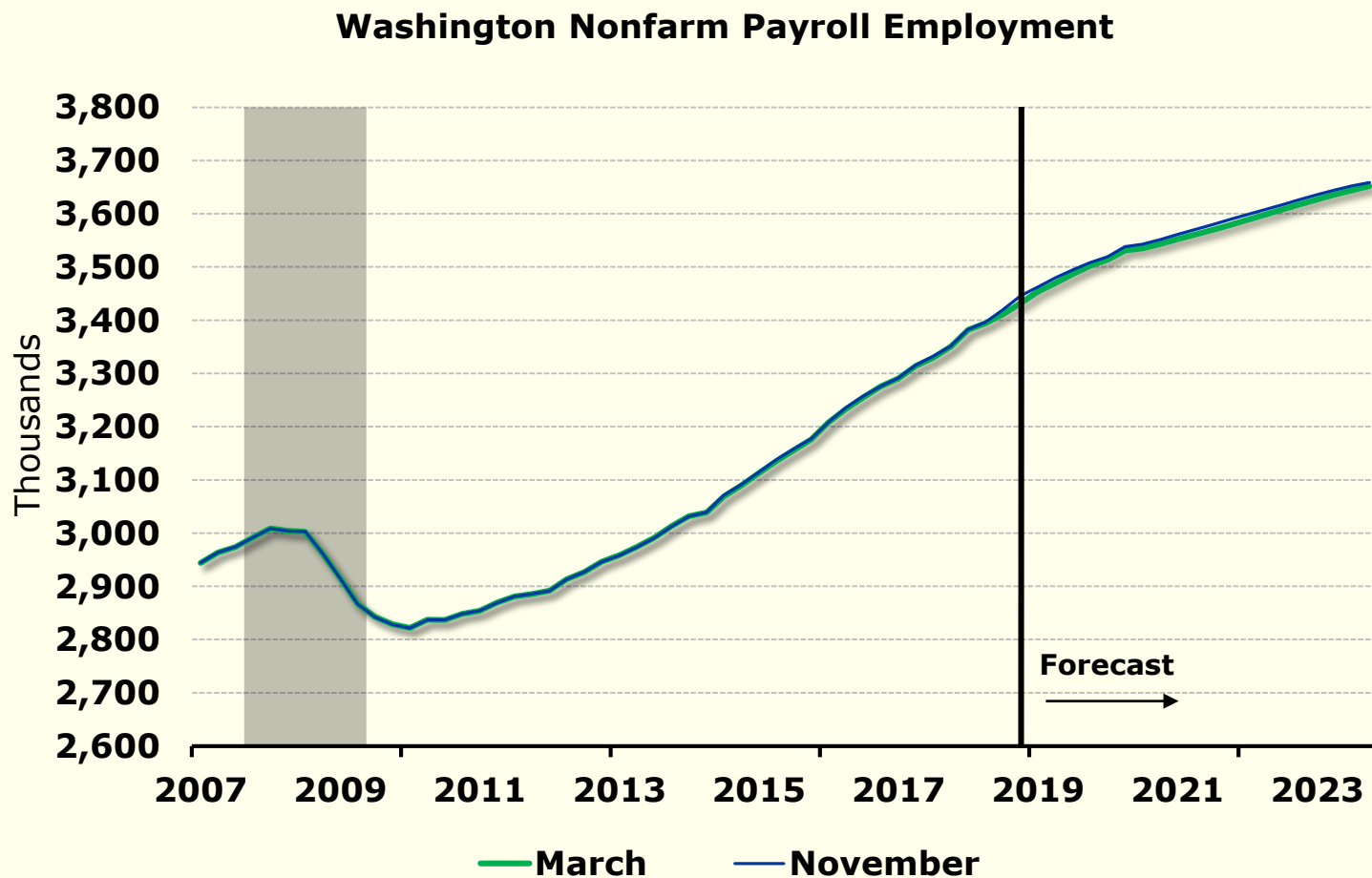
Washington personal income is slightly lower than in November



Source: ERFC March 2019 forecast; historical data through 2017



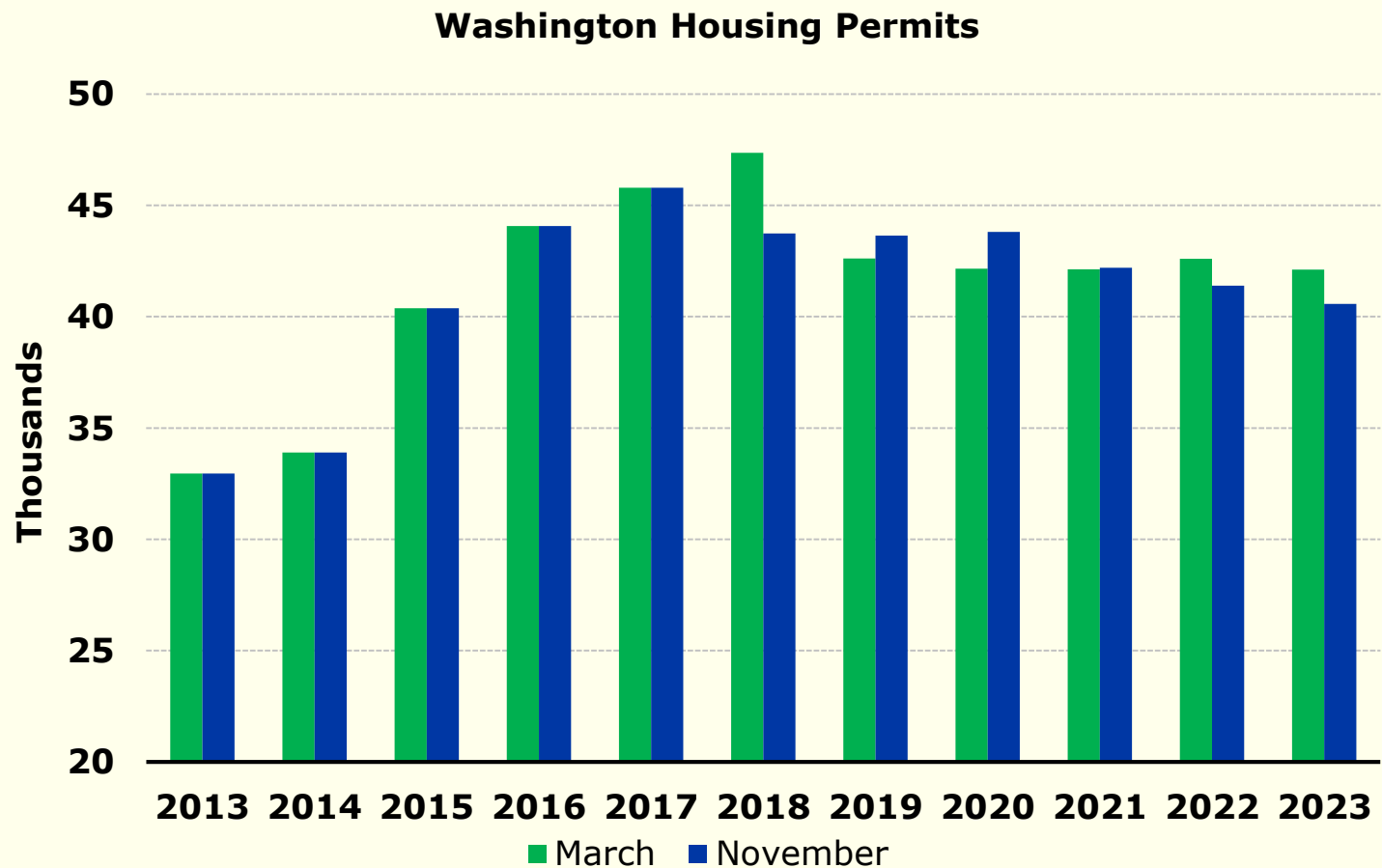
Washington employment forecast is slightly lower than in November



Source: ERFC March 2019 forecast; historical data through Q4 2018



Permits forecast for 2019 – 2023: average unchanged, timing slightly different compared to November



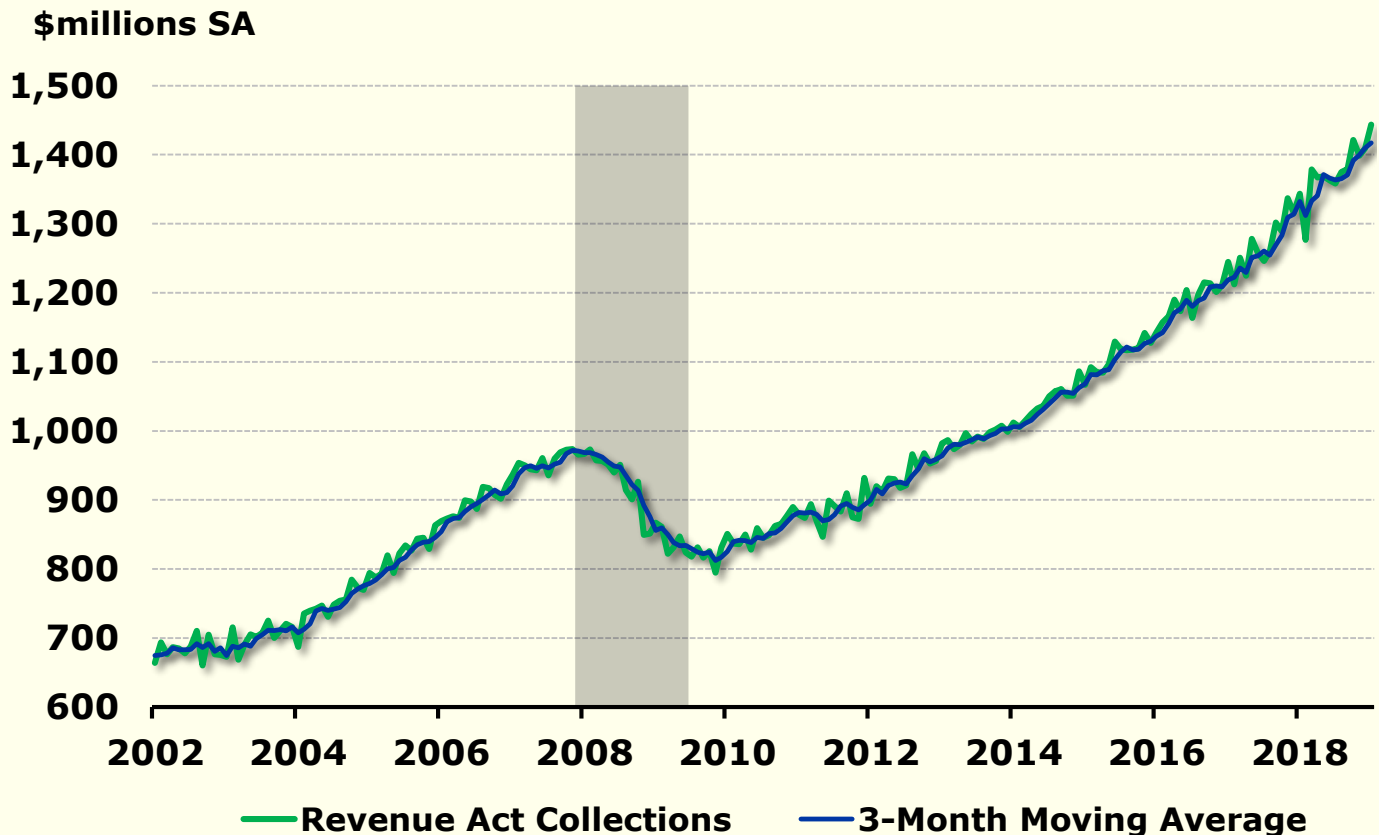
Source: ERFC March 2019 forecast; historical data through 2018



Revenue Act collections growth has been strong

Adjusted year-over-year collections growth (by quarter of activity):

2017Q4: 8.3%
2018Q1: 8.2%
2018Q2: 8.8%
2018Q3: 7.6%
2018Q4: 7.4%



* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act

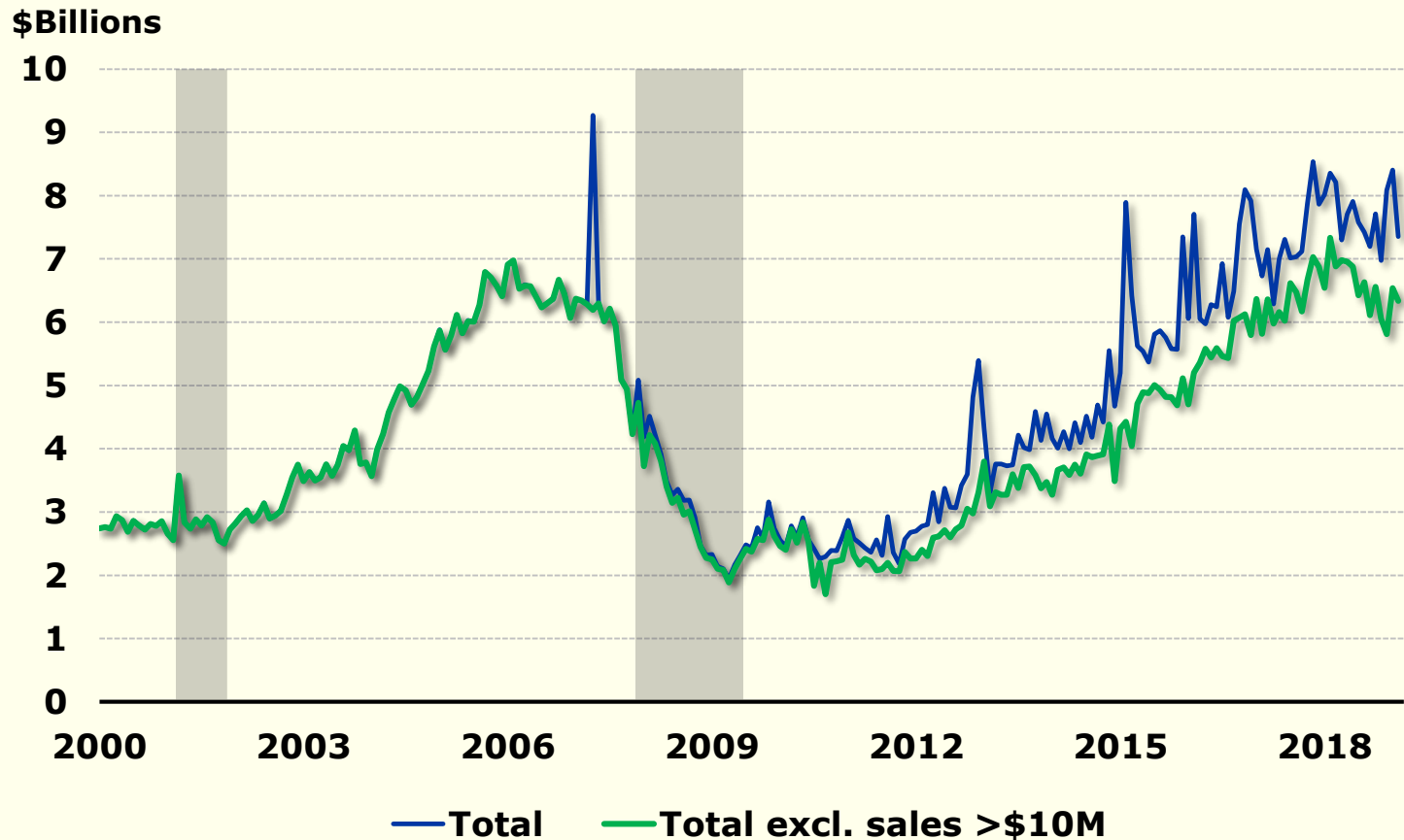
Source: DOR and ERFC; monthly data through January 2019 activity



Taxable REET activity declined in February but remained strong

There were \$1.0 billion in large commercial sales (>\$10 million) in February, down from \$1.87 billion in January.

Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; Monthly data through February 2019 preliminary

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Assessed value on existing properties increased between November, March forecasts

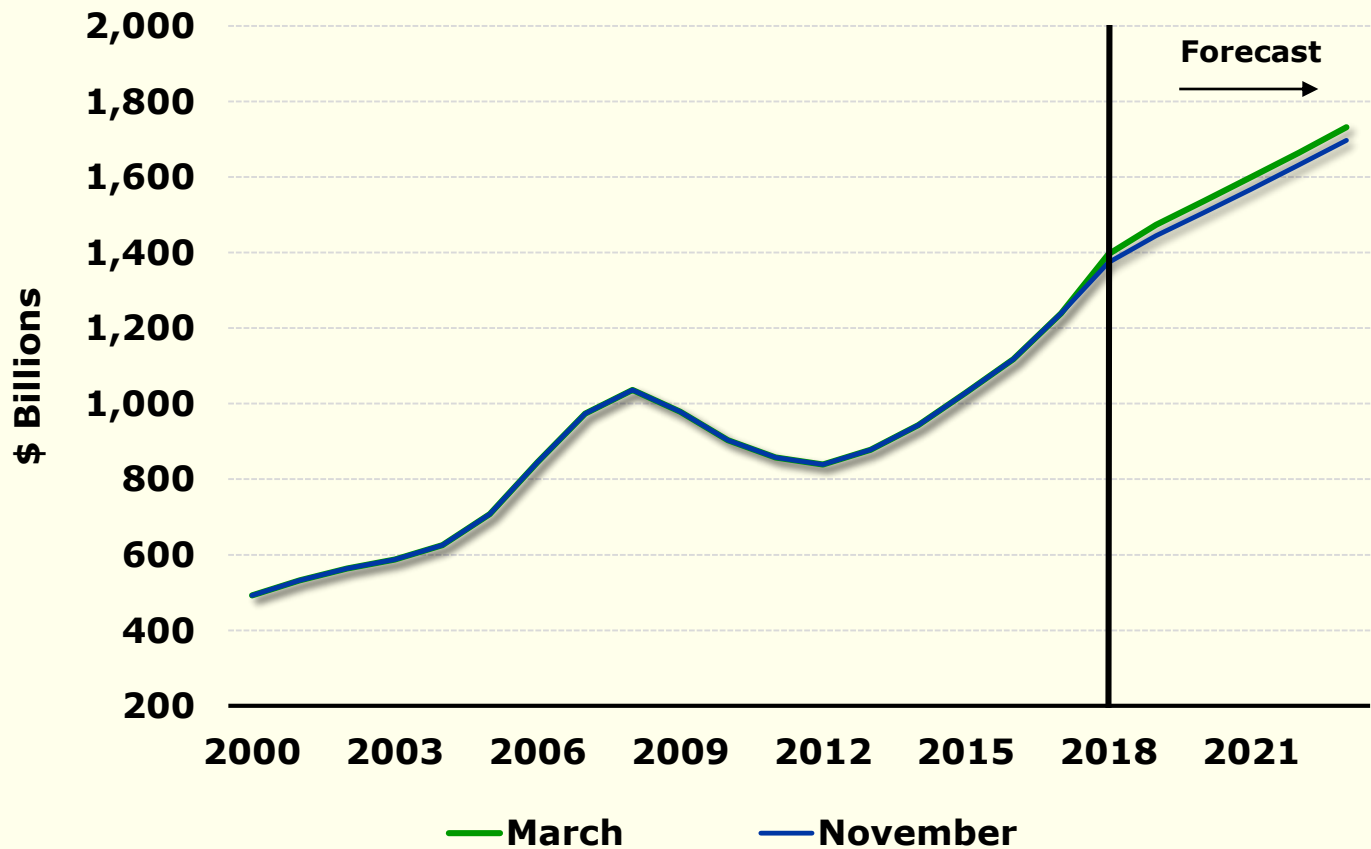
November forecast for growth in Market Value: 10.9%

Actual growth: 12.6%

Every 1.0 percentage point increase in Market Value growth adds between \$30-\$40 million in revenue per year

WA State Economic Update

May 29, 2019
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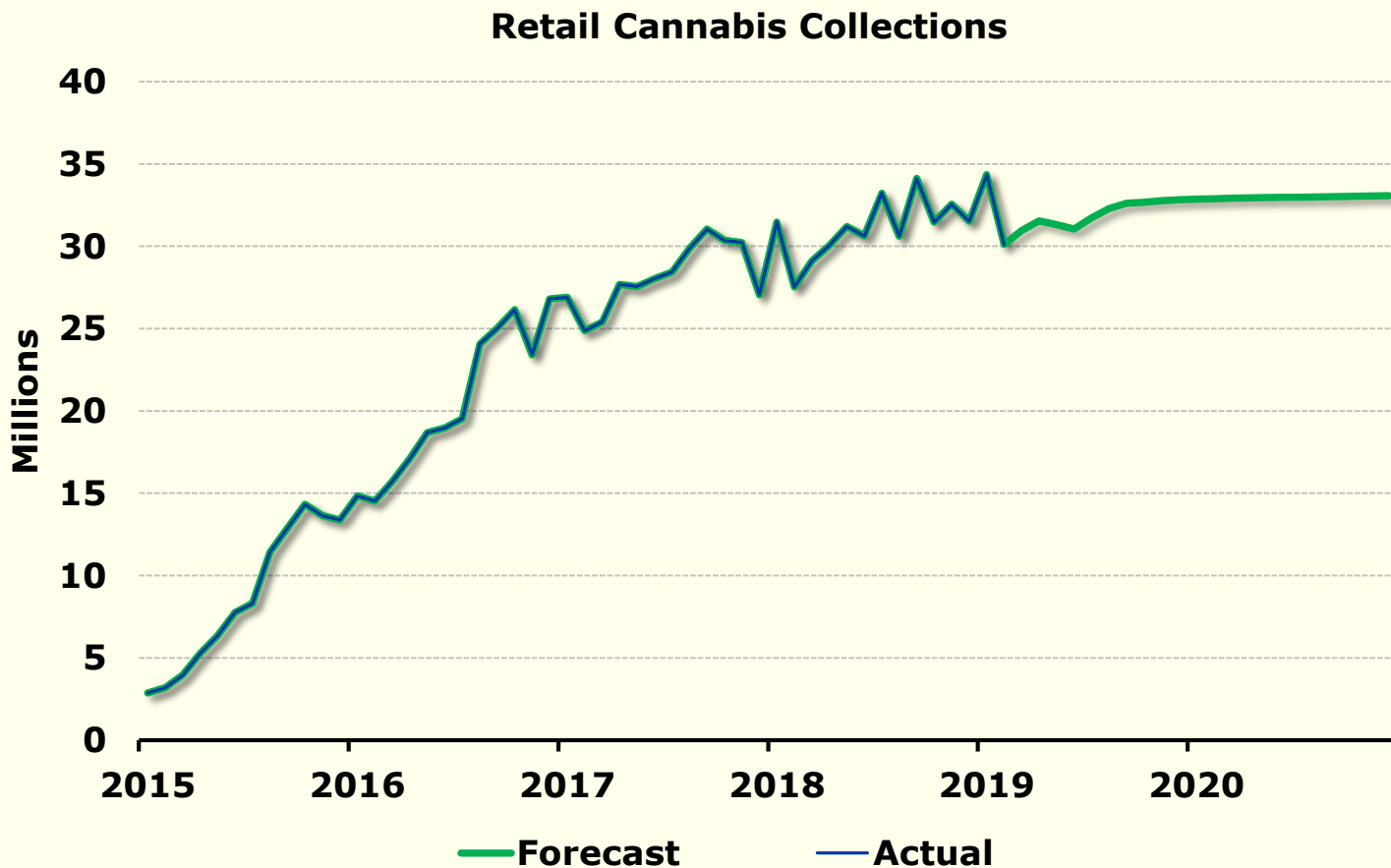


Source: ERFC March 2019 forecast; historical data through 2018

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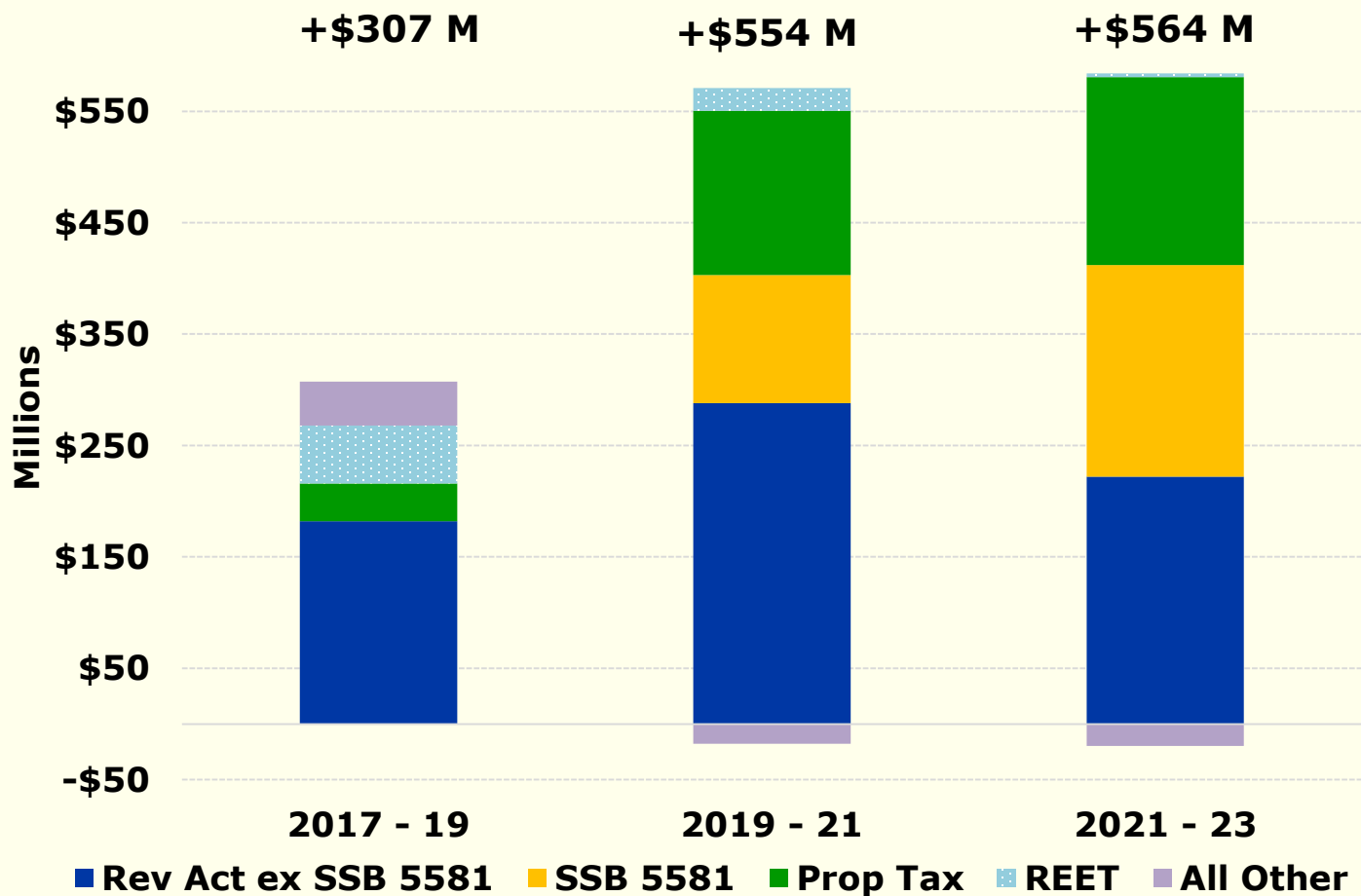
Cannabis revenue growth is expected to moderate



Source: ERFC March 2019 forecast; historical data through February 2019



Near GF-S forecast changes by source



Source: ERFC March 2019 forecast



Conclusion

- Economic forecasts are only slightly changed from November
- Washington's economy is continuing to outperform the nation but not as dramatically as in past
- Threats to economic expansion include concerns about international trade and fiscal policy, geopolitical risks and a maturing expansion
- GF-S revenues are expected to grow 15.3% between the 2015-17 and 2017-19 biennia and 12.3% between the 2017-19 and 2019-21 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks



Questions



**Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912**

**www.erfc.wa.gov
360-534-1560**

WA State Economic
Update

May 29, 2019
Slide 34



Joint Legislative Audit & Review Committee

Working with others to answer Legislative questions (or what is JLARC and why should I care?)

Rachel Murata/Dana Lynn

May 2019



JLARC: the Legislature's auditor

Answer
Legislature's
questions

Legislature sets
policy, JLARC
evaluates it

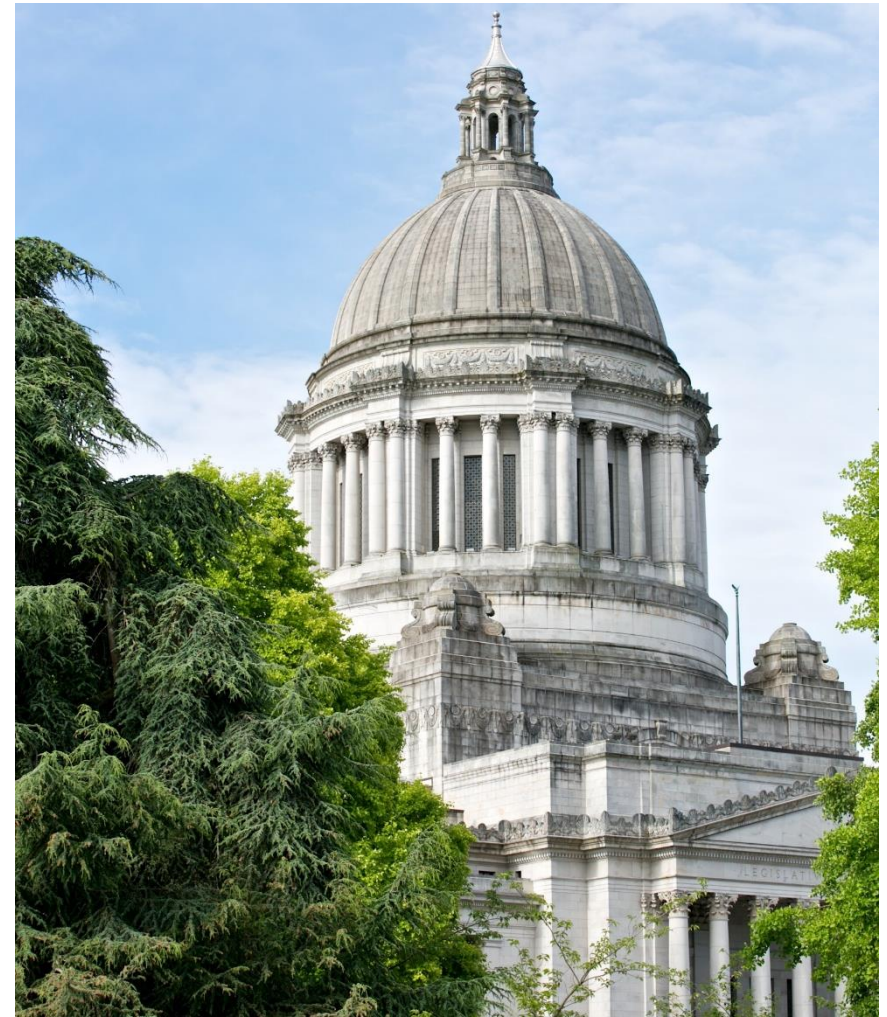
Performance
audits since
1973

JLARC office and
Legislative Auditor
position established
in statute

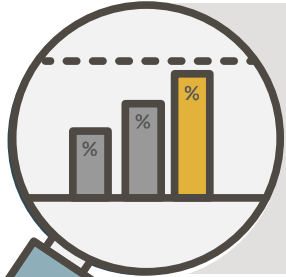
Nonpartisan
staff use
professional
audit
standards

Evidence-based

Equal members from legislative branches and parties



JLARC examines a variety of programs



Ongoing tax preference performance reviews



Specific study assignments from the Legislature



Ongoing data collection/reporting assignments

For each study,
we look to
partners
that have

- **Data and details**
- **Knowledge and expertise**
- **Local perspective**

State agencies

City/county governments

Businesses

Nonprofits



Tax preference reviews

County treasurers & assessors

- 2019 - Commuter Air Carriers (Property Tax)
- 2016 - Data Center Equipment (Sales/Use Tax)
- Online data for property tax exemptions

Public utility districts

- 2017 - Electricity for Electrolytic Processors (Public Utility Tax)
- 2014 - Aluminum Smelter Power Purchases (Public Utility Tax)

Public facilities districts

- 2015 - Public Facilities Districts (Leasehold Excise Tax)

Multi-family property tax exemption

- 2019 - Contacted city planners for city goals, execution detail; county assessors for data on exempt properties



Specific study assignments

Fees Assessed for Forest Fire Protection



- How assessments are done, whether any parcels are not taxed
- JLARC staff worked with assessors - built a 2 million parcel database to answer questions
- 2019 bill made process for locals to annex land

Local Infrastructure Financing Tool



- Effectiveness of the financing tool, status of projects
- How does it fit into overall financing?
- Currently working with cities, ports and counties

Public Records Training, Consultation and Grant programs



- Effectiveness of programs to help local governments manage records
- Work with local agencies that have used the services
- Are they meeting agencies' needs, and what changes are being implemented by users?

Ongoing data collection work

Legislature tasked JLARC with collecting and reporting – not analyzing

Lodging tax expenditures – 198 entities reported \$56 million in work

Public records information – agencies spending over \$100,000



Contact Us

Research Analysts

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Legislative Auditor

Keenan Konopaski

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Partner Portal

Ashley Boss, Tax Administration Manager
Jessica Hicks, Tax Administration Manager
Taxpayer Account Administration
May 2019

Access to the Partner Portal

- How to request access to the Partner Portal
 - Confidentiality Affidavit
 - Inactivity Lockout

Client Log Key: 61257

This error has been recorded. If you wish to provide additional information about what you were doing when you received the error, you may enter it below and select Submit.

Additional Information

Submit

[Go Back](#)

Local Tax Reports

Summary Report

Summary Generate

Jurisdiction Required ▼ Distribution Period April 2018 ▼

Report
 Local Tax Distribution Summary 🔍 🔒 🖨️ ⭐ 🔄 ? ✕

Summary Generate

Jurisdiction ▼ Distribution Period April 2018 ▼

Local Tax Distribution Summary Filter 🔄

Line Code	Tax Type	Accumulation	Adjustment	Pool	Admin Fee	Distribution
45/46/51/52	Regular & Optional	7,206.30	0.00	0.00	(72.06)	7,134.24
37/38/137/138/437/438	Transportation	345.20	0.00	0.00	(3.45)	341.75
2 Rows		7,551.50	0.00	0.00	(75.51)	7,475.99

Distribution Detail

- Detail Report

Local Tax Distribution Detail Generate

Distribution Detail

Jurisdiction *Required* ▼ Distribution Period April 2018 ▼

Tax ▼ Location ▼

Account Id ▼ Name ▼ NAICS ▼

Results Download Results Download File Layout Filter ↗

Name	Account ID	Location	Frequency	Filing Period	Tax Type	Debt Type	Taxable Amount	Accumulation	NAICS
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- Results downloaded

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
1	Distribution Year-Mon	Account ID	Filing Period Month	Filing Period Year	Debt Type	Tax Type	Location	Taxable Amount	Accumulation Amount	Name	Open Date	Close Date	Frequency	NAICS	Street	Street 2	City	State	Zip	Zip + 4	Owner Type
2	19-Apr		2	2019	Excise Return	45							Monthly					WA			Corporation
3	19-Apr		2	2019	Excise Return	51							Monthly					WA			Corporation

Enhancements to the Reports

- Taxable amounts added
- Transient Rental detail report coming soon
- Email notifications regarding updates



Differences in Detail Reports

- Displays only what accumulates to your jurisdiction
 - Previous reports displayed city/county share
- Separate lines for Regular and Optional taxes
 - Previous reports combined into single line
- Detail reports available for most tax components

Research requests

- Account specific questions
- Portal access questions
- Contact us
 - 360-705-6179
 - Secure web message to Local Sales Tax topic

Resources

- [Dor.wa.gov/localjurisdiction](http://dor.wa.gov/localjurisdiction)
 - Local Tax Reference Guide
 - Partner Portal access instructions
- Statistics and Reports

Questions?





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Marketplace Fairness Impacts

Patti Wilson
May 29, 2019

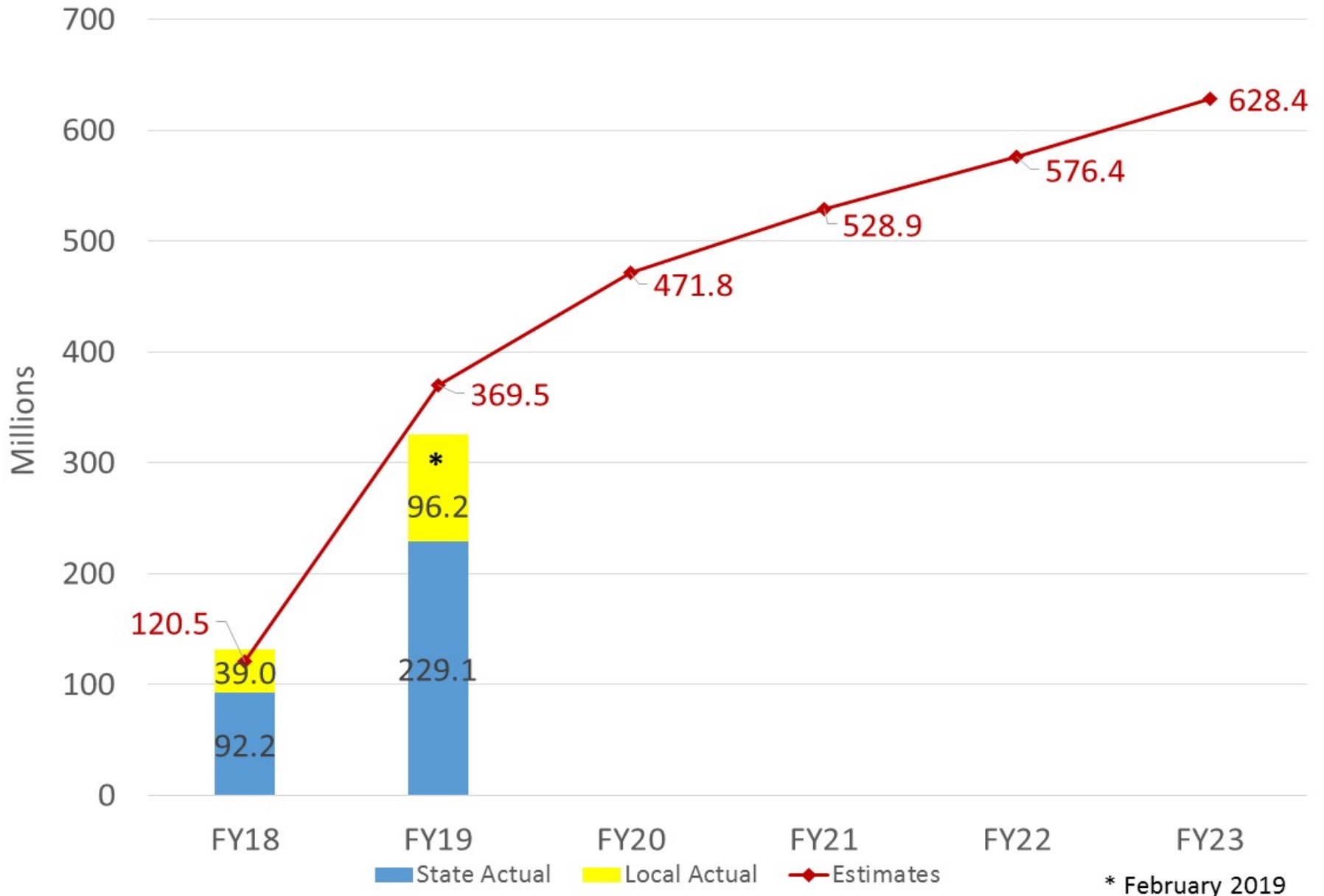
Threshold

- Effective October 1, 2018
- Remote sellers & facilitators
- Requires sales tax collection
- >\$100,000 or 200 transactions*

*200 transactions threshold eliminated on
March 14, 2019 (SSB 5581)



Actual vs. Estimates



SSB 5581

- Codify
 - \$100,000/200 transactions thresholds
 - Effective date (10/1/18)
 - Prospective only
- Eliminate
 - 200 transactions
 - Import exemption
 - Election
 - SSUTA sourcing mitigation “true-up” provision is repealed

Mitigation Payments as of March 2019

- Total mitigation payments to date: \$232.4 million
- 42nd mitigation payment since December 2008
- Fourth payment including Marketplace Fairness revenue gains
- Quarter one payments were \$1.99 million, compared to \$2.3 million in December 2018
- Fifteen local jurisdictions received a payment compared to the nineteen in December 2018

Mitigation Payments

Payment #	Total Payment	# of Receiving Jurisdictions	Top 5 Jurisdiction Payments	Top 5 Percentage of Total	Payment Date
42	\$ 1,992,480.62	15	\$ 1,787,689.36	90%	03/2019
41	\$ 2,304,670.72	19	\$ 1,991,372.98	86%	12/2018
40	\$ 2,442,641.89	23	\$ 2,064,421.29	85%	09/2018
39*	\$ 2,488,103.14	26	\$ 2,087,229.89	84%	06/2018
38	\$ 3,543,825.82	51	\$ 2,460,949.23	69%	03/2018
37	\$ 3,547,581.07	51	\$ 2,461,833.54	69%	12/2017
36**	\$ 3,550,226.20	49	\$ 2,461,002.61	69%	09/2017

*EHB 2163 revenue gains impact payments

**Transportation authorities, RTAs and PTBAs no longer receive mitigation payments

On the Horizon

- Enforcement plan
- SSB 558I implementation
- Consumer refund process

Questions?

Contact Info:

DORMarketplaceFairness@dor.wa.gov



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2019 Excise Tax Legislation

Andre Unicume
Tax Policy Specialist

Bills Passed – Excise Tax & Administration

2SHB 1059

Extending the business and occupation tax return filing due date for annual filers.

HB 1301

Exempting certain leasehold interests in arenas with a seating capacity of more than two thousand from the leasehold excise tax.

SHB 1403

Simplifying the administration of municipal business and occupation tax apportionment.

Bills Passed – Excise Tax & Administration

SHB 1406

Encouraging investments in affordable and supportive housing.

SHB 1746

Incentivizing the development of commercial office space in cities in a county with a population of less than one million five hundred thousand.

SHB 1798

Concerning short-term rentals.

Bills Passed – Excise Tax & Administration

ESHB 1839

Requiring eligible arena projects to fully pay the state and local sales tax within ten years of commencing construction.

SSB 5025

Creating sales and use and excise tax exemptions for self-help housing development.

ESSB 5183

Concerning relocation assistance for manufactured/mobile home park tenants.

Bills Passed – Excise Tax & Administration

ESSB 5272

Increasing the maximum tax rate for the voter-approved local sales and use tax for emergency communication systems and facilities.

ESSB 5998

Establishing a graduated real estate excise tax.

Questions?





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2019 Property Tax Legislation

Miki Gearhart
Tax Policy Specialist

Bills Passed – Property Tax

E2SHB 1105

Protecting taxpayers from home foreclosure

HB 1107

Concerning nonprofit homeownership development

HB 1634

Requiring property sold in tax lien foreclosure proceedings to be sold as is

Bills Passed – Property Tax

SHB 1746

Incentivizing the development of commercial office space in cities in a county with a population of less than one million five hundred thousand

HB 1852

Concerning property tax refunds more than three years after the due date resulting from certain manifest errors

Bills Passed – Property Tax

SHB 2044

Concerning the deannexation of a portion of land from a park and recreation district or metropolitan park district

HB 2072

Authorizing county treasurers to contract with other treasurers for services

SSB 5010

Concerning protected lands not being assessed local fire district levies

Bills Passed – Property Tax

ESSB 5131

Regarding foreclosure and distraint sales of manufactured, mobile, or park model homes

SB 5132

Addressing noncollection of taxes by county treasurers

ESSB 5160

Concerning property tax exemptions for service-connected disabled veterans and senior citizens

Bills Passed – Property Tax

ESSB 5183

Concerning relocation assistance for manufactured/mobile home park tenants

SSB 5894

Clarifying that the firefighters' pension levy may continue to be levied to fund benefits under the law enforcement officers' and firefighters' retirement system

Questions?



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

CONFIDENTIAL

1. Most DOR information is confidential



2. Tax and Licensing Information is exempt under the Public Records Act.

3. Limited information is public.





4. Data-sharing or Partnership Agreements protect confidentiality.

5. Confidentiality Agreements are required.



Tax and License Secrecy Clause Confidentiality Agreement

This form must be completed and signed by individuals with access to Confidential Information in the custody and control of the Department of Revenue, and approved by the appropriate designated authority.

Identification: Name: _____ Title: _____
Employer: _____ Phone: _____
Address: _____ Email: _____
City, State, Zip: _____

Scope: Department of Revenue Confidential Information covered by this agreement includes:

- Licensing information (RCW 19.02.115)
- Personally identifying information (RCW 42.56.590)
- Tax information (RCW 84.08.210, RCW 84.40.020, RCW 84.40.340)

6. Process for Confidentiality Agreement



7. Data security requirements apply.



8. Let us know if there's a breach.



9. Penalties for a breach of confidentiality are severe for individuals.



**10. Help is
available.**

**DOR Information Governance
(360) 534-1624**

**Send an email to:
DORDataSharing@dor.wa.gov**



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fund Washington's future"*

Leasehold Excise Tax

Andy Van Gerpen, Program Coordinator

Topics for Discussion

- Overview of Leasehold Excise Tax (LET)
- Common Adjustments Found in Audits
- Changes Made to the Distribution Reports

LET Overview

- Tax on private use of public property.
- Paid in lieu of property tax.
- Tax on lessee.
- Total rate of 12.84%
 - 6.84% - State
 - 6.00% - Local
- Tax Code Area (TCA)

Exemptions

- Most common:
 - Taxable rent less than \$250
 - Leases for less than 30 days
- Other exemptions (20+ found in WAC 458-29A-400)
 - Student housing at public schools, colleges, or universities
 - Public facilities districts
 - Electronic vehicle battery charging stations

Common Adjustments Found in Audits

- Rent not at market value
- Imputing tax
- Unreported contract rent
- LET reported on exempt properties

Distribution Report Changes

- System change effective November 2018 (first report in December 2018)
- New delivery method
- New file format
- Issue with “Other” TCA codes

Questions?





Department of
Revenue
Washington State

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

Business Licensing Service (BLS) Local Partnership Update

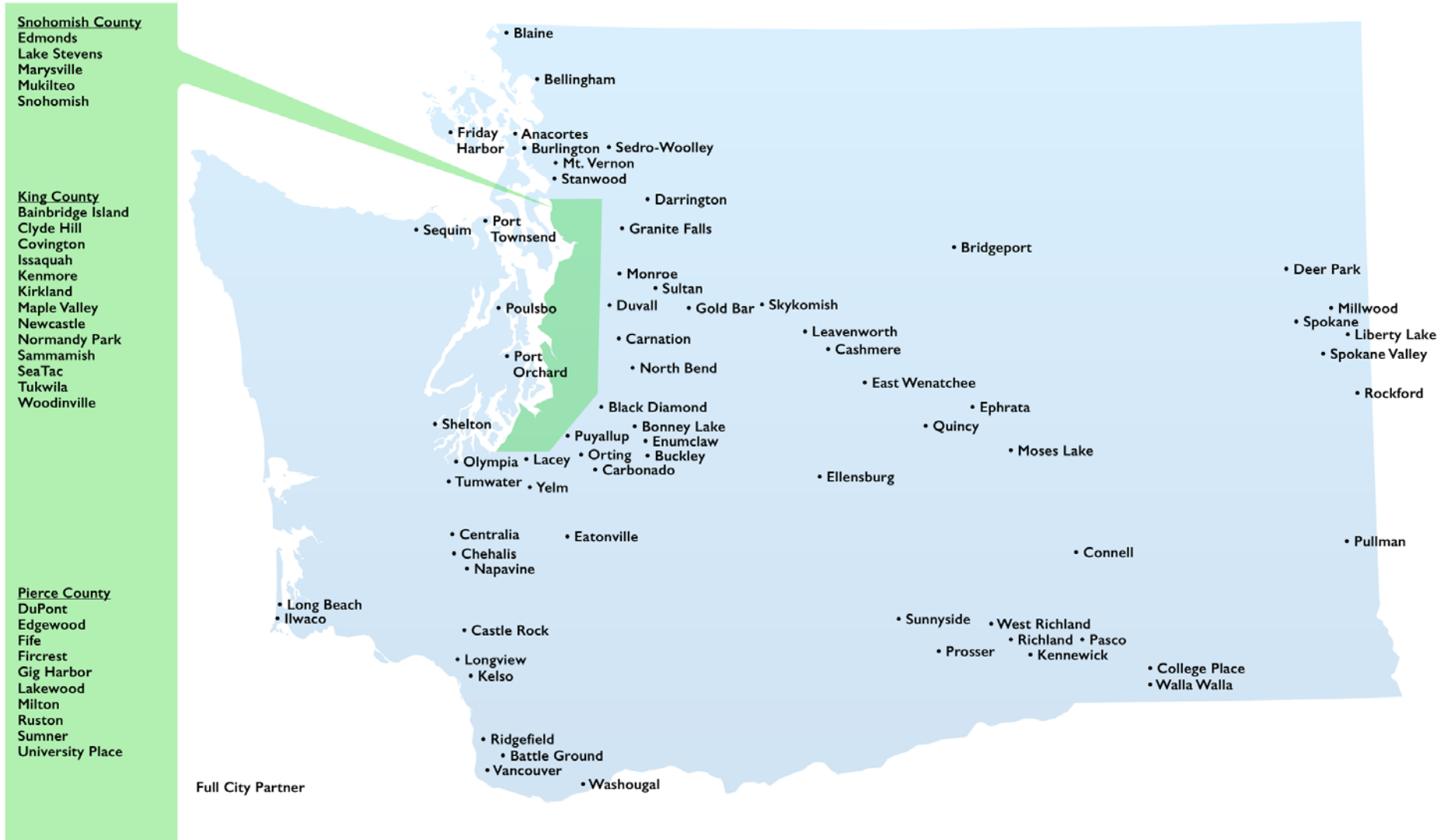
Spring 2019

Agenda

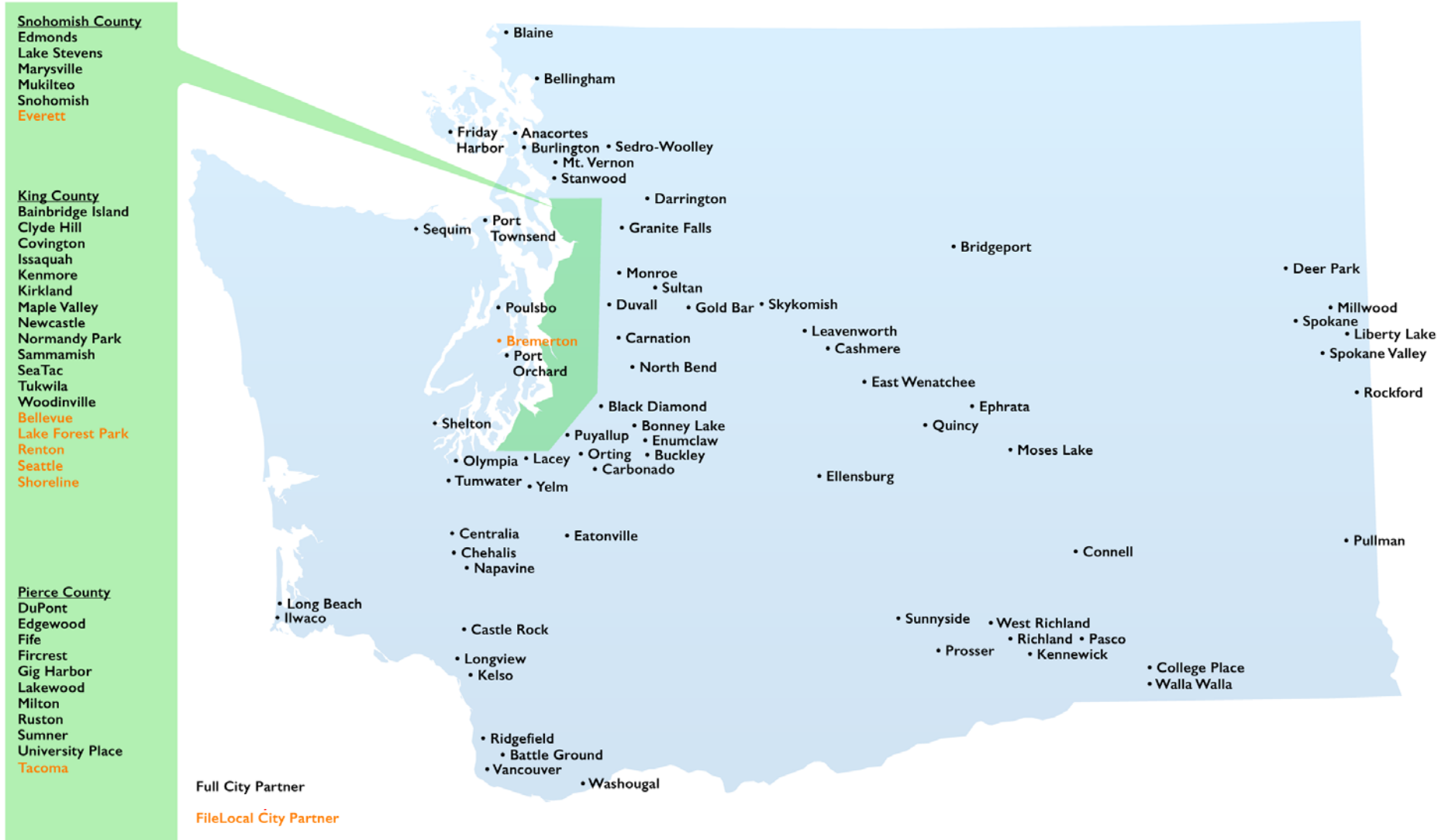
- 2020 & 2021 partnership plan
- BLS Wizard update
- BLS application updates
- Q&A



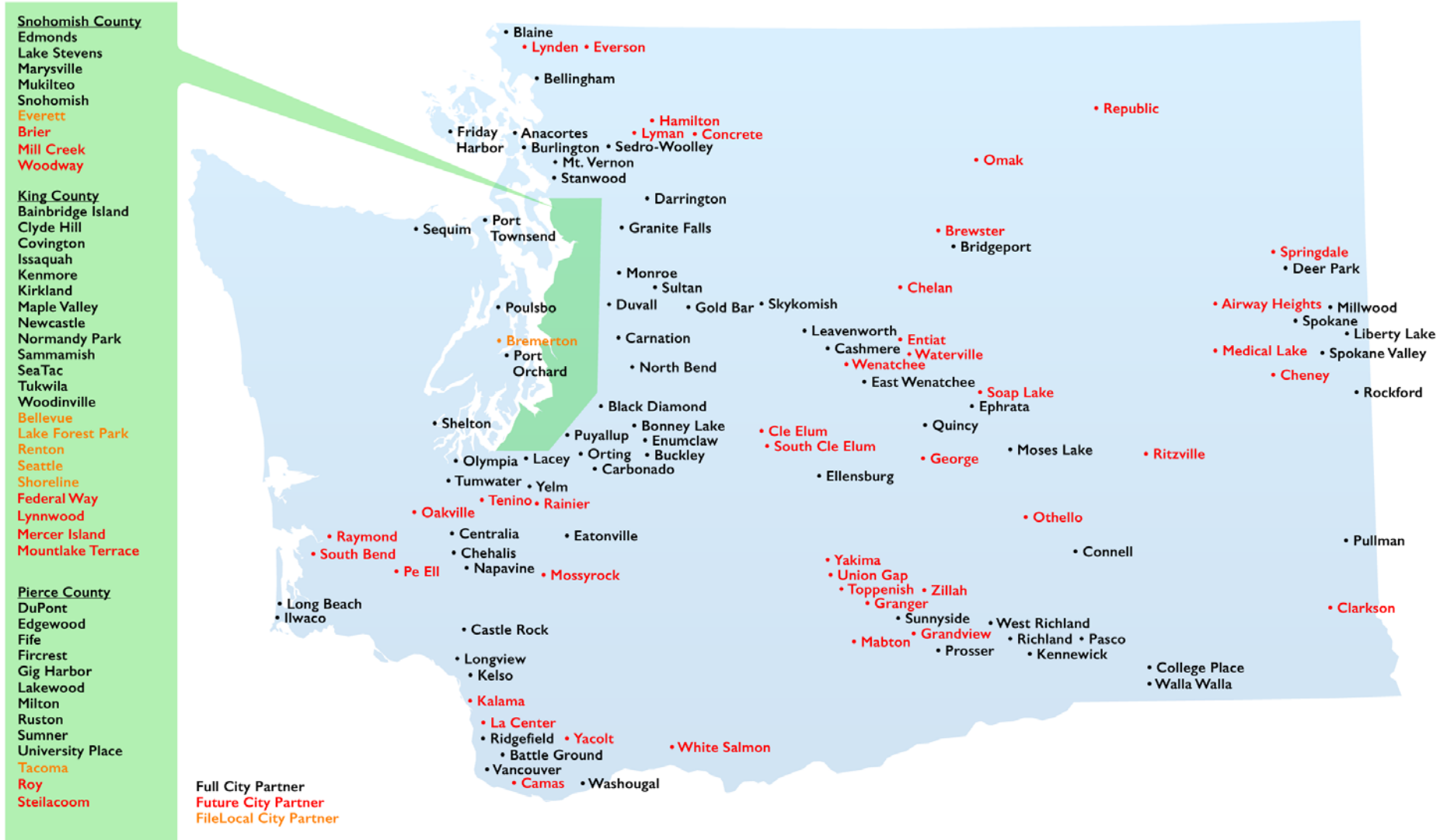
98 Partners as of July 2019



8+ File Local cities

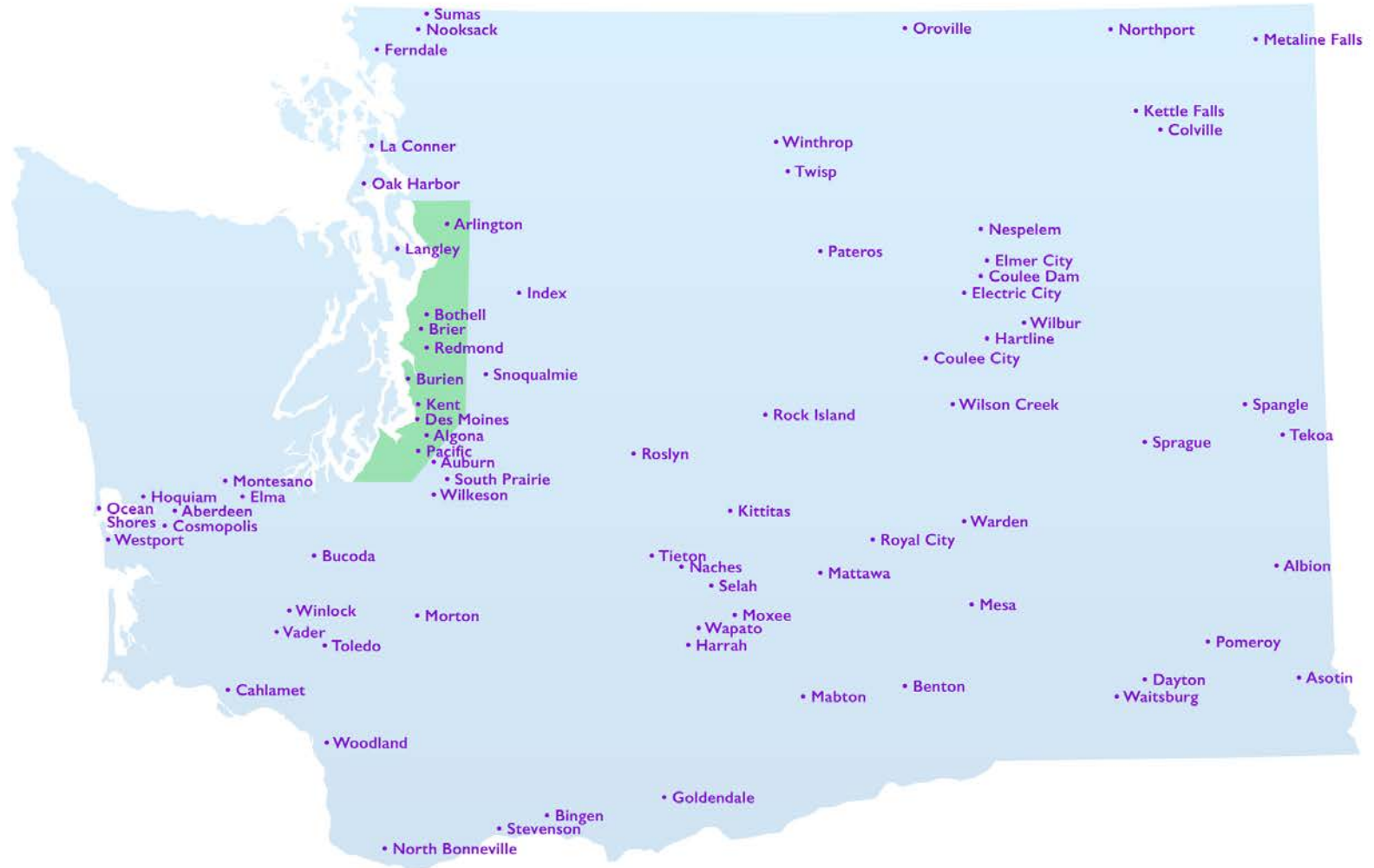


50+ cities set to join by 2021



Full City Partner
Future City Partner
File/Local City Partner

80 cities to decide by 2022



New online application June 17



Business License Wizard

State of Washington
Business Licensing Service

Contact us | Forms | About us

My DOR Login

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



Apply	Renew	Search
<ul style="list-style-type: none">▶ Get a Washington state business license▶ Get a customized business license wizard guide sheet▶ Specialty licenses	<ul style="list-style-type: none">▶ Renew your state/city license▶ More ▶	<ul style="list-style-type: none">▶ Business licenses

Other resources

- Learn how to sign up for My DOR
- Washington Small Business Fair
- Determine business registration requirements
- Search for or register a corporation
- Report fraud or make a complaint
- Get a certificate of good standing
- Business.wa.gov
- Find a state agency Small Business Liaison (pdf)
- Read the small business guide

Small Business Guide
WASHINGTON STATE



Better user experience

- Feedback & usability drove improvements
- Less content on each screen
- Updated screen titles & progress bar
- One click to add a city license
- Simplified activity & license type choices
- Easy-to-read summary page

Activity selection

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5


ABOUT YOUR BUSINESS +

LOCATION

- Physical Location
- Mailing Address
- Business Info
- Additional Bus. Info
- City Selection
- Additional Cities
- Non-Resident Nonprofit
- Business Info Cont'd
- City License
- Other City Info
- Business Items
- Activity Search

LOCATION

Activity Search

 What is the primary business activity or activities for this business in the State of Washington? The business activity selected will help us determine the state endorsements that may be required.

Enter keyword(s) and select activities that apply

<< 1 of 233 >>

	Selected Activities (maximum of 5)
Select 3rd Party Administrator	No activities selected
Select Academy	
Select Accident Investigations	
Select Accident Reconstruction Service	
Select Acoustical - Install, Repair	
Select Activity Planning	
Select Actor	
Select Actress	
Select Actuary	
Select Acupressure	

<< 1 of 233 >>

None of the activities listed above describes the business.

Business Activity

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +	LOCATION
LOCATION	Activity Search
Physical Location	<input checked="" type="checkbox"/> What is the primary business activity or activities for this business in the State of Washington? The business activity selected will help us determine the state endorsements that may be required.
Mailing Address	Enter keyword(s) and select activities that apply
Business Info	<input type="text" value="book"/>
Additional Bus. Info	Selected Activities (maximum of 5)
City Selection	Select Bookkeeping <input type="checkbox"/> Bakery, Retail <input checked="" type="checkbox"/>
Additional Cities	Select Bookstore - Test <input type="checkbox"/> Used Book Store <input checked="" type="checkbox"/>
Non-Resident Nonprofit	Select Children Books <input type="checkbox"/>
Business Info Cont'd	<input type="checkbox"/> None of the activities listed above describes the business.
City License	
Other City Info	
Business Items	
Activity Search	

Business Activity

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +

LOCATION

[Physical Location](#)

[Mailing Address](#)

[Business Info](#)

[Additional Bus. Info](#)

[City Selection](#)

[Additional Cities](#)

[Non-Resident Nonprofit](#)

[Business Info Cont'd](#)

[City License](#)

[Other City Info](#)

[Business Items](#)

[Activity Search](#)

LOCATION

Activity Search

What is the primary business activity or activities for this business in the State of Washington? The business activity selected will help us determine the state endorsements that may be required.

None of the activities listed above describes the business.

Business Activity

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5


ABOUT YOUR BUSINESS +

LOCATION

- Physical Location
- Mailing Address
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- Business Info Cont'd
- City License
- Other City Info
- Business Items
- Activity Search
- Business Activity**

LOCATION

Business Activity

 Indicate the business activities in Washington (check all that apply)

- Services
- Retail
- Wholesale
- Manufacturing

Describe the principal products you sell or services you provide in Washington (limit of 150 characters)

Required

Requii

Business Activity

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +

LOCATION

Physical Location

Mailing Address

Business Info

Additional Bus. Info

City Selection

Additional Cities

Non-Resident Nonprofit

Business Info Cont'd

City License

Other City Info

Business Items

Activity Search

Business Activity

LOCATION

Business Activity

Indicate the business activities in Washington (check all that apply)

Services

Retail

Wholesale

Manufacturing

Do you need to add additional information about the business activity?

Yes

No

Limit of 150 characters

SELL BAKED GOODS AND BOOKS

Resident city

Home > Application Purpose > Business License Application

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +	LOCATION
LOCATION	Tumwater License
Physical Location	Based on your business address, we have added the Tumwater license.
Mailing Address	Review the City of Tumwater requirements to complete the questions.
Business Info	First date of business in Tumwater <input type="text"/>
Additional Bus. Info	Estimate your gross annual income for the coming 12 months in this city <input type="text"/> <i>Required</i>
City Selection	<input type="checkbox"/> No Income Requir
Additional Cities	Estimated number of employees working in this city in the next 12 months <input type="text" value="0"/>
Non-Resident Nonprofit	How many rental units at this location? <input type="text" value="0"/>
Business Info Cont'd	Does the business qualify for a fee exempt license in this city? <input type="button" value="Yes"/> <input type="button" value="No"/>
City License	

Save Draft Cancel

< Previous

Next >

Non-resident cities

Home > Application Purpose > Business License Application

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +

LOCATION

Physical Location

Mailing Address

Business Info

Additional Bus. Info

City Selection

LOCATION

Will you be traveling to do business in a city other than the one you are located in?

City Selection

Select each city where you'll be doing business. For cities not listed, [contact the city](#) directly for more information.

You cannot select cities listed in gray. The business either does not qualify or already has the endorsement.

Available Cities [Filter](#)

<input type="checkbox"/> Airway Heights	<input type="checkbox"/> Eatonville	<input type="checkbox"/> Marysville	<input type="checkbox"/> Ruston
<input type="checkbox"/> Anacortes	<input type="checkbox"/> Edgewood	<input type="checkbox"/> Millwood	<input type="checkbox"/> Sammamish
<input type="checkbox"/> Bainbridge Island	<input type="checkbox"/> Edmonds	<input type="checkbox"/> Milton	<input type="checkbox"/> SeaTac
<input type="checkbox"/> Battle Ground	<input type="checkbox"/> Ellensburg	<input type="checkbox"/> Monroe	<input type="checkbox"/> Sedro Woolley
<input type="checkbox"/> Bellingham	<input type="checkbox"/> Enumclaw	<input type="checkbox"/> Moses Lake	<input type="checkbox"/> Sequim
<input type="checkbox"/> Black Diamond	<input type="checkbox"/> Ephrata	<input type="checkbox"/> Mount Vernon	<input type="checkbox"/> Shelton
<input type="checkbox"/> Blaine	<input type="checkbox"/> Fife	<input type="checkbox"/> Mukilteo	<input type="checkbox"/> Skykomish
<input type="checkbox"/> Bonney Lake	<input type="checkbox"/> Fircrest	<input type="checkbox"/> Napavine	<input type="checkbox"/> Snohomish
<input type="checkbox"/> Bridgeport	<input type="checkbox"/> Friday Harbor	<input type="checkbox"/> Newcastle	<input type="checkbox"/> Spokane
<input type="checkbox"/> Buckley	<input type="checkbox"/> Gig Harbor	<input type="checkbox"/> Normandy Park	<input type="checkbox"/> Spokane Valley
<input type="checkbox"/> Burlington	<input type="checkbox"/> Gold Bar	<input type="checkbox"/> North Bend	<input type="checkbox"/> Springdale

Non-resident cities, continued

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +

LOCATION

- Physical Location
- Mailing Address
- Business Info
- Additional Bus. Info
- City Selection
- Additional Cities**

LOCATION

Vancouver

[Review the City of Vancouver requirements to complete the questions.](#)

In Vancouver, first date of business

In Vancouver, estimated gross income in the next 12 months
 No Income

In Vancouver, estimate the hours to be worked by employees in the next 12 months

Washougal

[Review the City of Washougal requirements to complete the questions.](#)

In Washougal, first date of business

In Washougal, estimated gross income in the next 12 months
 No Income

In Washougal, estimated number of employees

Required fields for city addendum

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +

LOCATION

Physical Location

Mailing Address

Business Info

Additional Bus. Info

City Selection

Additional Cities

Non-Resident Nonprofit

Business Info Cont'd

City License

Other City Info

Business Items

LOCATION

Business Information Continued

Does this business have any of the following?

An automatic smoke detection system or fire sprinkler system installed

Yes

No

Any compressed gases (oxygen, helium, acetylene, propane, nitrous oxide, etc.)

Yes

No

Discharges to sewer from the business or business processes other than domestic sanitary discharges

Yes

No

Any flammable/hazardous/toxic materials (gasoline, oil, cleaning solvents, pesticides, etc.)

Yes

No

Average gallons or pounds kept on premises

0

Floor drains other than in restroom/shower facilities

Yes

No

An emergency alarm monitoring service

Yes

No

Req

Updated selection screens

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 2 of 5

ABOUT YOUR BUSINESS +

LOCATION

[Physical Location](#)

[Mailing Address](#)

[Business Info](#)

[Additional Bus. Info](#)

[City Selection](#)

[Additional Cities](#)

[Non-Resident Nonprofit](#)

[Business Info Cont'd](#)

LOCATION

Are you a general or specialty contractor?

Yes

No

Do you have a Washington State professional or occupational license?

Yes

No

Do you provide utility service (telephone/cellular/ISP, cable, gas, electric, garbage)?

Yes

No

Is this business a 501 (c) nonprofit?

Yes

No

Summary page

[Home](#) > [Application Purpose](#) > [Business License Application](#)

Online Business License Application

Section 5 of 5

ABOUT YOUR BUSINESS +	REVIEW AND PAY				
LOCATION +	Endorsements				
EMPLOYEES +	Endorsement Type	Begin	End	Quantity	Fee
STATE ENDORSEMENTS +	Tumwater General Business	May-17-2019	May-31-2020	1	
REVIEW AND PAY	Cordage Meter	May-17-2019	May-31-2020	1	
Endorsement/Fee Overview	Tax Registration	May-17-2019		1	
	Vancouver General Business - Non-Resident	May-17-2019	May-31-2020	1	
	Washougal General Business - Non-Resident	May-17-2019	May-31-2020	1	
	5 Rows				
	Fees				
	Fee Type	Begin	End	Quantity	
	BLS Processing Fee	May-17-2019		1	
	Vancouver Employee	May-17-2019		24	
	2 Rows				
	Grand Total:				

dor.wa.gov/BusinessLookup






 My DOR > Business License Lookup

Business License Lookup

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

General search Governing people search Trade name search

Business name	<input type="text"/>		Street address	<input type="text"/>
UBI/Account ID	<input type="text"/>		City	<input type="text"/>
License no.	<input type="text"/>		County	<input type="text"/>
			Endorsement type	<input type="text"/>

Search



Citypartners.dor.wa.gov

Home / Doing business / Business Licensing Service (BLS) and local licensing

Print

Business Licensing Service (BLS) and local licensing

Make business licensing easier for your local business community

Did you know more than 90 percent of businesses apply for and renew their licenses online?

BLS offers a "one-stop" local licensing solution to relieve the workload of license renewals. We serve **90+ cities** with more joining BLS each year.

Partnership with BLS supports your city staff and business community by removing roadblocks. This saves your local businesses time when they apply for and renew city and state licenses. Your staff, meanwhile, get fast turnaround, detailed reporting, and increased compliance – with no added cost.

Our revenues increased 15 percent in the first year. With BLS, we are able to identify our businesses and their employees more easily.

~ Carrie Lewellen, Treasurer, City of Vancouver

More information

[BLS brochure \(pdf\)](#)

[Map of BLS Cities](#)

[Local Business Licensing Progress Report, Dec. 2018 \(pdf\)](#)

[FY 2019 City Partner Plan](#)

[Onboarding timeline \(pdf\)](#)

[Secrecy Clause \(pdf\)](#)

[Standard reports list \(pdf\)](#)

[Sample BLS-City contract \(pdf\)](#)

[FAQ \(pdf\)](#)

BLS Support

- **Business Licensing Call Center**
 - 800.451.7985 & bls@dor.wa.gov
- **Specialty Licensing**
 - 360.705.6744 & faxbls@dor.wa.gov
- **12 offices statewide**
 - dor.wa.gov & bls.dor.wa.gov
- **BLS Partnership Services – Katie Early, Manager**



Contact

BLS Partnership Services
(360) 705-6777

dorblspartner@dor.wa.gov



Questions?



Eastern Washington Local Government Partnership 2019 Excise Tax Reporting

Randy Rittenhouse, Revenue Auditor



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fund Washington's future"*



Today's Topics

- B&O Tax Overview
 - Retailing; Wholesaling; and Service and Other
- Common Deductions
- Retail Sales Tax
- Enterprise Activities vs. Non-Enterprise Activities
- Public Utility Tax
- Use Tax

Ask questions at any time



Overview of B&O Tax

- Tax for act of engaging in business
- Measured by gross income or gross proceeds of sales
- 30 classifications; some lines have multiple classifications
- 12 different tax rates (from .138% to 1.63%)

Retailing B&O

Includes all sales to consumers of goods and retail services

- Examples of retail sales:
 - ✓ Custom construction/repair
 - ✓ Charges for Public Pool Use
 - ✓ Certain Amusement and Rec Fees
- Casual Sales are B&O tax exempt
 - ✓ Sale of unclaimed property by police dept.
 - ✓ Sale of surplus equipment
- Although B&O tax exempt, no comparable exemption for sales tax

Wholesaling



- For reporting sales of products or labor to persons who resell the same without intervening use
- Obtain the purchasers resellers permit



STATE OF WASHINGTON

RESELLER PERMIT

Washington State Department of Revenue

PO Box 47476 • Olympia, WA 98504-7476 • 1-800-647-7706

Issued to:

600 600 600
John Doe
John Doe Inc.
1234 Nowhere Rd
Anywhere, WA 99999

Permit Number: A14 8694 13

Effective Date: 01-01-2010

Expiration Date: 12-31-2013

Business Activity:

Miscellaneous Wholesale

This permit can be used to purchase:

- Merchandise and inventory for resale without intervening use
- Ingredients, components, or chemicals used in processing new articles of tangible personal property produced for sale
- Feed, seed, seedlings, fertilizer, and spray materials by a farmer
- Materials and contract labor for retail/wholesale construction
- Items for dual purposes (see Purchases for Dual Purposes on back)

This permit cannot be used to purchase:

- Items for personal or household use
- Items used in your business that are not resold, such as office supplies and equipment
- Promotional items or gifts
- Tools, equipment, or equipment rentals
- Materials and contract labor for public road construction or U.S. government contracting (see Definitions on back)
- Materials and contract labor for speculative building

The business named on this permit acknowledges:

- It is solely responsible for all purchases made under this permit
- Misuse of the permit:
 - Subjects the business to a penalty of 50 percent of the tax due, in addition to the tax, interest, and penalties imposed (RCW 82.32.291)
 - May result in this permit being revoked

Notes (optional): _____

Important: The Department of Revenue may use information from sellers to verify all purchases made with this permit were qualified.

Cindi Holmstrom

Director, Department of Revenue

Service & Other Activities

For the revenues of taxpayers that provide personal and professional services not otherwise classified

- Cemetery plot sales, internment fees
- Solid Waste Collection
- Also subject to Solid Waste Collection Tax
- Sewer – (interception, transfer, storage, treatment and disposal of sewage)
- Storm Drain Fees
- Services prior to receiving service – new customers

Common Activities Subject to Service Other B&O Tax

- User fees for lockers
- Moorage/License to use RE – less than 30 days
- Pre-Utility Charges (Connection Charges)
 - Activities performed for customers prior to sale of a public utility service are considered a “new customer”
 - ✓ Line Extensions
 - ✓ Connection fees,
 - ✓ Pole contact charges
 - ✓ Testing
 - ✓ Load factor charges
 - ✓ Meter reading fees

New Customer Defined

- A “new customer” is a customer who previously has not received utility services, such as water, gas, electricity, at the location where the charge for a specific service was provided.
- For example, a customer of a water supplier who currently receives water at a residence constructs a new residence a short distance from the first location. This customer will be considered a “new customer” with respect to any charges for services performed at the new location until the customer actually receives water at the new location, even though this customer may be receiving services at a different location.

B&O Tax Deductions

Income should be reported then deducted on the tax return

Examples:

- Bad debts
- Cash and trade discounts
- Casual sales
- Tax in gross

Service Other Exemptions/Deductions

- RCW 82.04.4297 provides deduction for governmental grants received for rendering health & social welfare services
- RCW 82.04.4291 provides deduction for income received by a local government for rendering services taxable under the service other classification to other local governments
- RCW 82.04.432 allows municipal sewer utilities to deduct payments to other cities or governmental agencies for interception, treatment or disposal of sewage

B&O Tax Exemptions

Exempt income does not have to be reported

Examples:

- Certain fundraising activities for nonprofit and social services organizations
- Sales or rental of real estate (more than 30 days)
- Purely Governmental Activities provided by a Fire District – other than a utility or enterprise activity (82.04.419)



Retail Sales Tax

- Tax on the consumer
- Tax on sale, rental, repair, or installation of tangible personal property (includes labor)
- Collected by the seller and held in trust for the state



Retail Sales Tax

Examples:

- Vehicles, furniture, clothing and appliances
- Some amusement and recreation activities such as racquetball and golf
- Construction performed for consumers

Retailing B&O and Retail Sales Tax

Examples

- Sales of equipment to end consumers
- Selling various gas appliances at retail
- Sales of items such as rain barrels and compost bins

Place of Sale

Three Rules:

1. Tangible personal property

- Over the counter sales: store location
- Delivery: where customer receives goods

2. Labor, installation and construction

- where labor takes place

3. Rentals of goods:

- Single payment: where customer picks up goods
- Periodic payments:

First payment: where customer picks up goods

Subsequent payments: where goods are used

Retail Sales Tax Deductions

- Bad debts
- Cash and Trade Discounts
- Return and Allowances
- Interstate and foreign sales

Enterprise and Utility Activities

- No B&O exemption for enterprise and utility activities
 - Enterprise activities are financed similar to that of private business
 - ✓ Activity in competition with private business
 - ✓ Activity more than 50% funded by user fees
 - ✓ Ambulance service provided by volunteer fire dept
 - B&O tax exemption for non-enterprise activities does not extend to sales tax
 - ✓ Activity subject to sales tax, must collect tax due regardless of B&O tax exemption

Enterprise vs. Non-Enterprise Activities

- B&O tax exemption for cities, counties, towns, school districts, and fire districts for exclusively governmental activities – non-enterprise activities
 - Charges and/or fees considered non-enterprise
 - ✓ Fire fighting both within and outside the district
 - ✓ Licenses and permits
 - ✓ Inspections
 - ✓ Copies of public records, reports & studies
 - ✓ Pet adoption licenses
 - ✓ Processing fees for fingerprinting
 - ✓ Environmental impact statements
 - ✓ On-street metered parking and on-street parking permits
 - ✓ Taxes, fines, penalties, and interest thereon (not including tax on utility services)

Public Utility Tax

- Tax on business for act of operating a public service (“utility”) business
- Similar to B&O tax, but on public service businesses, such as:
 - ✓ Water distribution
 - ✓ Sewer facilities
 - ✓ Power
 - ✓ Gas distribution



Taxability of Fire District Activities

Activities Not Subject to Retail Sales Tax

- The rental of equipment along with fire district personnel that are directly involved with fighting fires or extinguishing flames are not subject to retail sales tax when the fire districts are not under the specific direction of the fire boss (except as to where to perform the service) and the fire boss has no control over how the work will be performed.



Taxability of Fire District Activities



Activities Subject to Retail Sales Tax

- Fire districts performing other tasks (e.g. erosion control, earth moving, repair services, sales of apparel, providing food or shelter, etc.) are subject to retail sales tax based on the nature of the activity performed.

Municipality Tax Imposed on Third-Party Utility Business

- Tax a city imposes on the district is not taxable. However, when the utility passes this tax along to their customers it is considered part of the district's taxable gross utility revenue, taxable under either the B&O or Public Utility tax classifications.
- See 19 WTD 332

Municipality Tax Imposed on Their Own Utility Business not Their Customer

In order for a municipal utility tax to be exempt:

1. First, a city must be granted specific authority from the legislature to impose the utility tax on the consumer. Then,
2. There must be a specific municipal code which imposes the utility tax on the consumer.

Public Utility Tax

- Gross Income including activities incidental to providing the utility service.
- Exclusions from Income
 - Interdepartmental charges
 - LID and ULID Assessments
 - Volume
 - Contributions of Equipment
 - Contributions of Cash are taxable

Sewer Utilities

- Definitions
 - Lateral Sewer
 - Intercepting Sewer
 - Pump or Lift Stations
 - Force Main
 - Treatment Plant



Definitions Related to Sewerage

- **Sewage**

Sewage is the waste matter carried off by sewer drains and pipes.

- **Sewerage**

Sewerage refers to the physical facilities (e.g., pipes, lift stations, and treatment and disposal facilities) through which sewage flows.

Definitions Related to Sewerage Continued

- **Intercepting Sewer**

An intercepting sewer is a main sewer that receives flow from laterals and delivers the sewage to another main sewer or to a point for treatment or disposal. (See miscellaneous section for more detail including a diagram to assist in understanding this concept.)

- **Pump or Lift Stations**

Sewer pipes are generally gravity driven. Wastewater flows slowly downhill until it reaches a certain low point. Then pump, or "lift," stations push the wastewater back uphill to a high point where gravity can once again take over the process.

Definitions Related to Sewerage Continued

- **Force Main**

A force main is a sewer line fed by a lift station; carries pumped wastewater to a point where other pumps or gravity can take over.

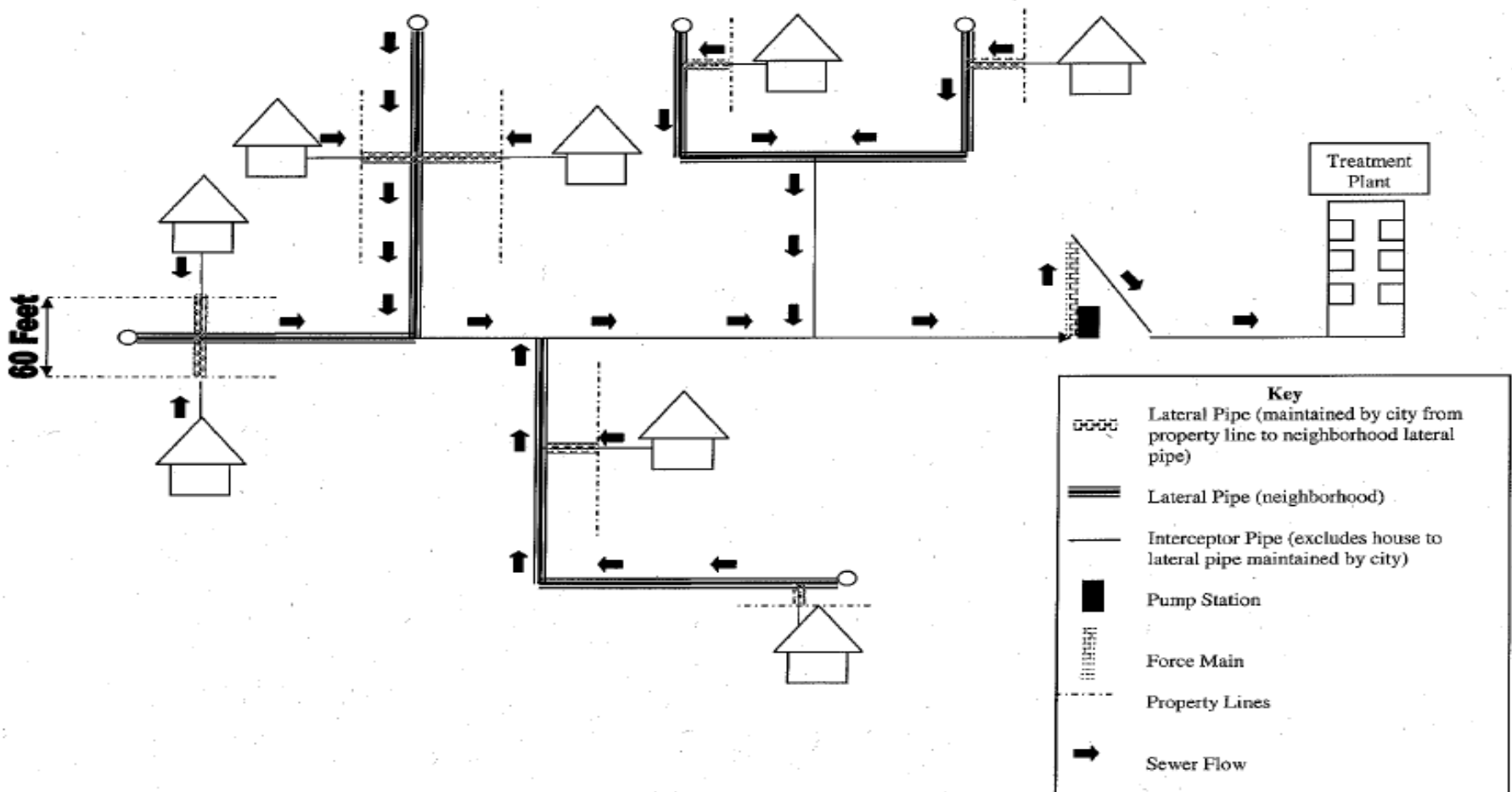
- **Treatment Plant**

A treatment plant is a structure built to treat wastewater before discharging it into the environment.

How is a Sewer Utility Taxed?

- Sewer Collection
 - A sewerage collection business includes only that portion of a sewer system where "collection" occurs. Sewerage collection ends when the sewage exits the lateral sewers in a sewer system.
 - Sewer Collection is taxable under the Public Utility Tax
- Sewer Transfer, Treatment and Disposal Activities
 - Sewerage transfer begins at the point where sewage leaves the laterals in a sewer system and is transferred via intercepting pipes to another main sewer or to a point for treatment or disposal.
 - Sewerage transfer, treatment and disposal activities are taxable under the Service and Other Activities B&O tax classification.

Sewer Analysis



Cost Methodology - Assuming the Utility Owns a Treatment Plant

- Separate costs of treatment from costs of collection and transfer (including pump stations costs).
- Determine costs of collection vs. transfer via pipe analysis (see section below for pipe analysis methodology).
- Determine percent of cost of collection to total costs and apply percent to sewer income to determine amount subject to PUT.
- Determine percent of transfer and treatment to total costs and apply percent to sewer income to determine amount subject to service and other activities B&O tax.

Example

City of A owns and operates its own treatment plant. Total sewer income, including treatment, for the year amounts to \$2,500,000. The annual costs associated with the treatment plant are \$1,000,000. The total costs related to the collection and transfer is \$1,200,000. A sewer pipe analysis was done by the city of A that determined that 20,000 linear feet of pipe was related to collection and 16,000 linear feet of pipe was related to transfer.

Example

Treatment costs are \$1,000,000.

- Step 1: $20,000 / (20,000 + 16,000) = 56$ percent Collection Pipe
 $16,000 / (20,000 + 16,000) = 44$ percent Transfer Pipe
 Step 2: \$1,200,000 Collection and Transfer Costs times 56 percent = \$672,000 Collection Costs
 \$1,200,000 Collection and Transfer Costs times 44 percent = \$528,000 Transfer Costs
- Step 1: \$1,000,000 Treatment Costs + \$1,200,000 Collection and Transfer Costs = \$2,200,000 Total Costs.
 Step 2: \$672,000 Collection Costs / \$2,200,000 Total Costs = 31 percent
 Step 3: \$2,500,000 Total Sewer Income times 31 percent = \$775,000 Calculated Collection Income taxable under PUT.
- Step 1: $(\$1,000,000 \text{ Treatment Costs} + \$528,000 \text{ Transfer Costs}) / \$2,200,000 \text{ Total Costs} = 69$ percent.
 Step 2: \$2,500,000 Total Sewer Income times 69 percent = \$1,725,000 Calculated Transfer and Treatment Income taxable under service and other activities B&O tax.

Cost Methodology - Assuming the Utility Does Not Own a Treatment Plant

- Take total sewer billings and deduct costs paid to third-party treatment provider(s) (RCW 82.04.432).
- Determine costs of collection vs. transfer via pipe analysis (see section below for pipe analysis methodology).
- Determine percent of cost of collection to total costs of collection and transfer and apply percent to net sewer income in section a. (above) to determine amount subject to PUT.
- Determine percent of transfer to total costs and apply percent to net sewer income in section a. (above) to determine amount subject to service and other activities B&O tax.

Example

City of B does not own a treatment plant. It purchases sewer treatment services from City C at an annual cost of \$900,000. Total sewer income, including treatment, for the year amounts to \$2,400,000. The total costs related to the collection and transfer is \$1,000,000. A sewer pipe analysis was done by the City of B that determined that 15,000 linear feet of pipe was related to collection and 21,000 linear feet of pipe was related to transfer.

Example

- \$2,400,000 Total Sewer Billings - \$900,000 Payments to City C for Treatment (RCW 82.04.432) = \$1,500,000 Net Taxable Sewer Income.
- Step 1: $15,000 / (15,000 + 21,000) = 42$ percent Collection Pipe
 $21,000 / (15,000 + 21,000) = 58$ percent Transfer Pipe
 Step 2: \$1,000,000 Collection and Transfer Costs times 42 percent = \$420,000 Collection Costs
 \$1,000,000 Collection and Transfer Costs times 58 percent = \$580,000 Transfer Costs
- Step 1: \$1,000,000 = Total Collection and Transfer Costs
 Step 2: \$420,000 Collection Costs / \$1,000,000 Collection and Transfer Costs = 42 percent
 Step 3: \$1,500,000 Net Taxable Sewer Income (Excluding Treatment Deduction per a. above) times 42 percent = \$630,000 Calculated Collection Income taxable under PUT.
- Step 1: \$580,000 Transfer Costs / \$1,000,000 Total Collection and Transfer Costs = 58 percent.
 Step 2: \$1,500,000 Net Taxable Sewer Income (excluding treatment deduction per a. above) times 58 percent = \$870,000 Calculated Transfer Income taxable under service and other activities B&O tax.

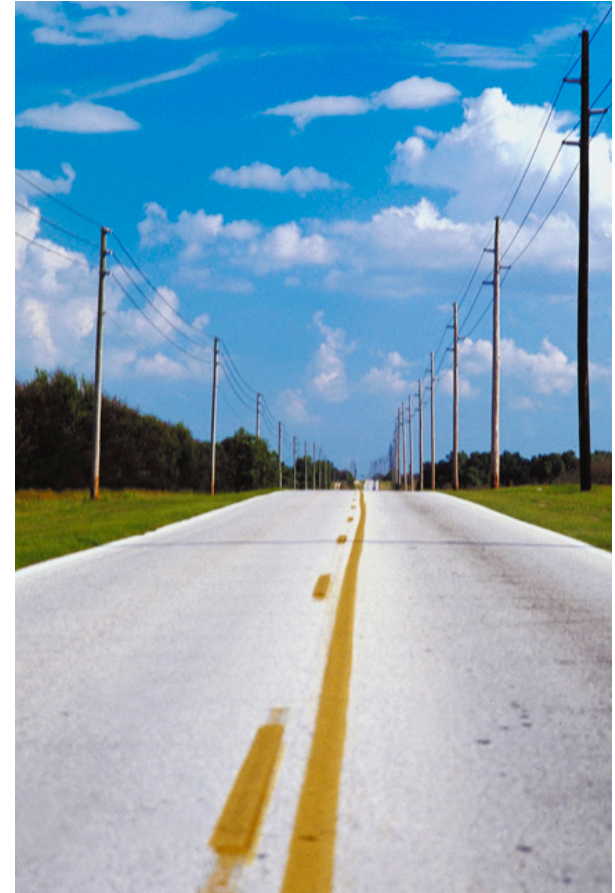
Water Distribution

- City-Imposed Municipal Utility Taxes are Part of the Gross Income (Special Notice August 15, 2011)
- Water for Irrigation purposes (RCW 82.16.050(7))
- Chemicals and Other Articles Used in Purifying Water
- Making of Potable Water is not Manufacturing



Public Road Construction

- Prime & subcontractor
- Land ownership
 - Cities, counties, U.S.
 - Does not include work performed for the state of WA
- Public Road Construction B&O tax
- Use tax applies
 - Consumer of all materials: purchased, provided, extracted



Use Tax

- Companion to sales tax on goods acquired for use in Washington
- When sales tax is not paid, use tax is due
- Generally, the buyer must pay directly to Department of Revenue
- Value is taxable amount, including delivery costs
- Rates same as sales tax, based on location of first use in Washington

Use Tax Examples

- Purchases from out-of-state vendors
- Furniture, fixtures and equipment that are purchased with an existing business
- Equipment used on construction jobs

Miscellaneous

- Building Permits
 - What information is required?
 - Why should the municipality care?
 - Why does DOR care?
- Record Keeping
- Will I be selected for Audit?



Recordkeeping Requirements

- Records should be kept for a minimum of five years
- Include:
 - ✓ Copies of federal, state and local tax returns and workpapers
 - ✓ General ledgers
 - ✓ Sales journal
 - ✓ Check register
 - ✓ Sales invoices
 - ✓ Purchase invoices
 - ✓ Records as required by deductions

Common Reporting Errors & Audit Findings

- Use tax
- Sewer Collection, Transfer Vs. Sewer Treatment Reclassification
- Reporting All Enterprise Activities
- Amount of Retail Sales Tax collected not reported
- Lack of Recordkeeping
- Deductions/Exemptions
 - ✓ Tax Paid at Source
 - ✓ Documenting Exempt sales (i.e. sales for resale)
 - ✓ Advance Reimbursements
- Areas where tax law has recently changed

Questions?

