STATE OF WASHINGTON

DEPARTMENT OF REVENUE

OFFICE OF THE DIRECTOR

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November 27, 2019

TO: Brad Hendrickson, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: Vikki Smith, Director

SUBJECT: 2019 Fair Report

Section 137(4) of Engrossed Substitute House Bill 1109 from the 2019 Legislative Session requires the Department of Revenue to compile a report on the annual amount of state retail sales tax collected on sales occurring at area fairs and county fairs.

This report focuses on vendor lists provided by certain fairs and estimates the sales tax collected in the location code where the fairs occurred. In 2018, an estimated $1.4 million in state sales tax and $611,000 in local sales tax was collected from fair activity. In 2019, an estimated $3.3 million in state sales tax and $1.5 million in local sales tax was collected from fair activity.

The report is also available on our website at:
http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/Default.aspx.

If you have questions about this report, please contact Kathy Oline, Assistant Director of Research and Fiscal Analysis, at (360) 534-1534.

Attachment

cc: Members, Senate Ways and Means Committee
Members, House Finance Committee
Members, House Appropriations Committee
David Schumacher, Director, Office of Financial Management
Drew Shirk, Executive Director, Legislative Affairs

Fair Report

2019 Report to the Legislature

Department of Revenue Washington State

Introduction

Engrossed Substitute House Bill 1109 (section 137, subsection 4), from the 2019 Legislative Session, requires the Department of Revenue (Department) to compile a report on the annual amount of state retail sales tax collected on sales occurring at area fairs and county fairs. The report must be submitted to the appropriate committees of the Legislature by December 1, 2019.

The Washington State Department of Agriculture (WSDA) is responsible for allocating money from the fair fund to eligible fairs. The WSDA Agricultural Fairs Program provides $1.905 million in financial assistance to agricultural fairs and youth shows each year.

Under the law (RCW 15.76.120), these types of agricultural fairs receive funds:

- Area fairs that serve an area larger than one county. These fairs have both open and junior participation events with an extensive diversification of classes, displays, and exhibits.
- County fairs structured to serve the interests of single counties. County fairs have both open and junior participation but not as extensive diversification of classes, displays, and exhibits as area fairs. County fairs are under county commissioner jurisdiction. County fairs are limited to one county fair per county.
- Community fairs that serve an area smaller than area or county fairs and have either or both open or junior classes, displays, or exhibits. There may be more than one community fair in a county.
- Youth shows and fairs that represent three or more counties. These events educate and train rural youth in the area of rural living. Washington State University or the office of the superintendent of public instruction approves youth shows and fairs.

Available Data

WSDA collects basic information about the fairs from the application county or area fairs that apply for state funding. The information consists of the number of exhibits and exhibitors, operating costs, general receipts from entries, booth rentals, and parking receipts. The Department could not determine taxable retail sales generated by Washington's fairs from this information.

Businesses collect both state and local retail sales taxes. The state rate is 6.5 percent while local rates vary depending on the taxes that apply in a local jurisdiction. The average statewide local rate for Fiscal Year 2019 was 2.855 percent. On their tax returns, businesses report a single total for all state retail sales. In order to distribute local sales taxes to the jurisdiction, businesses also report the total sales by location. The Department identifies the location using a location code.

Fairs do not have a location code and the sales information collected by location includes all the sales occurring either at the fair or in the surrounding city or area. Thus, the Department could not determine actual sales occurring at fairs and the amounts below are estimates.

This report includes:

- Total sales reported by fairgrounds; and,
- Estimated sales by vendors occurring at certain fairs.

For this report, the Department looked at sales reported by fair vendors in the location code where the fair occurred. Besides fair vendors, other businesses also report sales in this location, including local businesses that may make sales at the fair and at their business location. The Department cannot distinguish between these activities. Also, some sales at local businesses may be a result of visitors to the fair that would not have occurred without the fair. It is impossible to determine how much business activity the fair generates for local businesses.

Readers should also consider that some county fairs occur within city limits and some occur in the unincorporated area of the county. Businesses report to a specific location code for sales occurring in the city limits. However, businesses reporting sales to the location code associated with the unincorporated area of the county include all sales occurring in any part of the county that is not within city limits. Sales in the unincorporated area of the county may or may not be related to the fair and could occur a considerable distance from the fair. The Department used the tax rate lookup tool on the Department's website to determine the location code for the fairgrounds.

Sales Reported by Fairgrounds

A number of fairs report taxable sales. The following table shows sales reported by fairs or fair associations for each fiscal year. This includes the fair and other events occurring throughout the year on the fairgrounds.

Fiscal Year	Fair Sales	Estimated State Sales Tax	Estimated Local Sales Tax
2018	$8,910,000	$579,000	$254,000
2019	9,260,000	602,000	264,000

Fair Vendor Estimated Sales at Certain Fairs

The Department acquired a list of vendors from certain fairs in Washington. The vendor list only includes the fair and does not include other events occurring at the fairgrounds.

The following two tables show the dates and locations of fairs supplying a vendor list:

2018 Fairs	Dates of Fair	Location
Central Washington	September 21 - 30	Yakima (city)
Clark County	August 3 – 12	Clark County
Evergreen State	August 23 - September 3	Monroe
Southwest Washington	August 14 - 17	Chehalis
Washington State	August 31 – September 23	Puyallup

2019 Fairs	Dates of Fair	Location
Central Washington	September 20 - 29	Yakima (city)
Clark County	August 2 - 11	Clark County
Evergreen State	August 22 - September 2	Monroe
Northwest Washington	August 12 - 17	Lynden
Spokane Interstate	September 6 - 15	Spokane Valley
Thurston County	July 31 – August 4	Thurston County
Washington State Spring Fair	April 11-14	Puyallup
Washington State	August 30 – September 22	Puyallup

The Department looked at sales reported by the vendors for the month before the fair and compared these to the sales the month of the fair in the fair locations. For fairs occurring across two months, we considered the month of the fair to be the month with the most days of the fair.

2018 Estimated Fair Vendor Sales

The following table shows:

- Sales in the month prior to the fair;
- Sales in the month of the fair;
- The percent change between the two months;
- The estimated state sales tax from the month of the fair; and,
- The estimated local sales tax from the month of the fair.

2018 Fair Vendor Sales

Fair	Sales Month Prior to the Fair	Sales Month of the Fair	% Change	Estimated State Sales Tax Month of the Fair	Estimated Local Sales Tax Month of the Fair
Central Washington	$2,832,000	$3,159,000	11.5%	$205,000	$54,000
Clark County	934,000	1,861,000	99.3%	121,000	22,000
Evergreen State	206,000	585,000	183.8%	38,000	16,000
Southwest Washington	118,200	83,400	-29.5%	5,400	1,400
Washington State	8,622,000	15,232,000	76.7%	990,000	518,000

For the most part, sales increased during the month of the fair. Additional review of the data related to the Southwest Washington Fair does not explain why sales declined in the month of the fair.

The following table shows the sales by vendors that did not report any sales to the fair's location code the month prior to the fair but reported sales to the fair's location code the month of the fair. The Department assumes these sales relate directly to the fair.

2018 Estimated Sales by Fair Vendors Exclusively Occurring at the Fair

Fair	Sales Month of the Fair	% of Fair Month Sales	Estimated State Sales Tax	Estimated Local Sales Tax
Central Washington	$1,015,000	32.1%	$66,000	17,000
Clark County	660,000	35.5%	43,000	8,000
Evergreen State	356,000	60.9%	23,000	10,000
Southwest Washington	CTI	CTI	CTI	CTI
Washington State	5,819,000	38.2%	378,000	198,000

CTI means confidential taxpayer information because less than three taxpayers meet the criteria.

Together these five fairs have an annual attendance of over 1.96 million. This represents 57% of the fair attendance statewide.

2019 Estimated Fair Vendor Sales

The following table shows:

- Sales in the month prior to the fair;
- Sales in the month of the fair;
- The percent change between the two months;
- The estimated state sales tax from the month of the fair; and,
- The estimated local sales tax from the month of the fair.

2019 Fair Vendor Sales

Fair	Sales Month Prior to the Fair	Sales Month of the Fair	% Change	Estimated State Sales Tax Month of the Fair	Estimated Local Sales Tax Month of the Fair
Central Washington	$2,723,000	$3,236,000	18.8%	$210,000	$55,000
Clark County	685,000	971,000	41.8%	63,000	12,000
Evergreen State	129,000	521,000	303.5%	34,000	15,000
Northwest Washington	963,000	1,275,000	32.4%	83,000	28,000
Spokane Interstate	13,127,000	13,436,000	2.4%	873,000	322,000
Thurston County	330,000	394,000	19.3%	26,000	5,500
Washington State Spring Fair	8,286,000	8,811,000	6.3%	573,000	300,000
Washington State	9,621,000	21,454,000	123.0%	1,394,000	729,000

The following table shows the sales by vendors that did not report any sales to the fair's location code the month prior to the fairs but reported sales to the fair's location code the month of the fair. The Department assumes these sales relate directly to the fair.

2019 Estimated Sales by Fair Vendors Exclusively Occurring at the Fair

Fair	Sales Month of Fair	% of Fair Month Sales	Estimated State Sales Tax	Estimated Local Sales Tax
Central Washington	$205,000	6.3%	$13,000	3,000
Clark County	504,000	51.9%	33,000	6,000
Evergreen State	414,000	79.5%	27,000	12,000
Northwest Washington	393,000	30.8%	26,000	9,000
Spokane Interstate	619,000	4.6%	40,000	15,000
Thurston County	CTI	CTI	CTI	CTI
Washington State Spring Fair	445,000	5.1%	29,000	15,000
Washington State	6,138,000	28.6%	399,000	209,000

CTI means confidential taxpayer information because less than three taxpayers meet the criteria.

All together these eight fairs have an annual attendance of over 2.4 million people. This represents almost 70% percent of the fair attendance statewide.

Conclusion

These estimates are based on local sales in a location and include all the sales occurring either at the fair or in the surrounding city or area. Sales occurring at a fair are a subset of sales in a location and are not easily quantified. Vendor sales exclusively at certain fairs resulted in an estimated $510,000 in state sales tax in 2018 and $567,000 in state sales tax in 2019. As previously stated, other vendors report both fair sales and store sales. These vendors include cell phone companies, local home improvement businesses, local fireplace and spa retailers and other large retailers. Total vendor sales within the location codes of the fairs resulted in an estimated $1.4 million in state sales tax in 2018 and $3.3 million in state sales tax in 2019.