

SALES TAXES

RETAIL SALES/USE TAX - OTHER EXEMPTIONS

82.04.050 PERSONAL AND PROFESSIONAL SERVICES

Description: The retail sales tax originally applied only to the sale of tangible personal property and thus, by definition, excluded services from the tax base. Since 1935, some services have been added to the tax base, including services to tangible personal property (e.g., repair services) in 1939; construction in 1941; rental of tangible personal property in 1959; certain amusement and recreation activities in 1961; and landscape maintenance, physical fitness and certain miscellaneous personal services in 1993. Although, technically, the remaining personal and professional services are not "exempt" because they were never in the tax base, there has been some interest in the amount of revenue represented by these activities, and therefore they are included in this report.

Purpose: The primary reasons that services were excluded from retail sales tax may have included these: (1) to maintain simplicity by taxing only one class of property, i.e. tangible goods; (2) to conform to the practice of other states at the time; (3) to minimize tax administration costs by not requiring service providers to collect the tax; and (4) a recognition that services did not represent a very large share of the state economy in the 1930s.

Category/Year Enacted: Services. 1935

Primary Beneficiaries: Individuals and businesses that use personal and professional services, as well as the businesses that provide these services.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$2,477,847	\$2,813,157	\$2,967,966	\$3,131,294
Local taxes	\$ 724,294	\$ 822,307	\$ 867,559	\$ 915,301

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

*There are dozens, if not hundreds, of types of specific services. To provide a bit more detail, a breakdown of the above estimates is shown below for four major subcategories of services:

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Business Services:				
State tax	\$959,653	\$1,142,162	\$1,205,015	\$1,271,327
Local taxes	\$280,514	\$ 333,863	\$ 352,235	\$ 371,619
Consumer Services:				
State tax	\$147,664	\$ 175,747	\$ 185,418	\$ 195,622
Local taxes	\$ 43,163	\$ 51,372	\$ 54,199	\$ 57,182
Financial Services:				
State tax	\$818,609	\$ 893,102	\$ 942,250	\$ 994,102
Local taxes	\$239,286	\$ 261,061	\$ 275,427	\$ 290,584
Medical Services:				
State tax	\$551,922	\$ 602,147	\$ 635,283	\$ 670,243
Local taxes	\$161,331	\$ 176,012	\$ 185,698	\$ 195,917

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82.04.050(2a) APARTMENT LAUNDRY FACILITIES

Description: Charges for the use of coin-operated laundry facilities are excluded from the definition of retail sale, if the facilities are located in apartment houses, rooming houses or mobile home parks and they are for the exclusive use of tenants. As a result, firms that operate laundry machines for tenants do not collect sales tax but are subject to B&O tax under the service classification.

Purpose: For administrative convenience, so that operators of coin-operated laundry machines do not have to include the small amount of sales tax into the charge required to operate the machines. Also, apartment owners who own such machines generally have no other state excise tax liability and are not registered with the Department.

Category/Year Enacted: Individuals. 1998

Primary Beneficiaries: Firms that contract to provide coin-op laundry machines in apartment buildings, apartment owners, and their tenants.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 3,042	\$ 3,210	\$ 3,386	\$ 3,573
Local taxes	\$ 888	\$ 937	\$ 989	\$ 1,043

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.04.050(2d) JANITORIAL SERVICES

Description: The definition of retail sale specifically excludes janitorial services, which are defined as cleaning and caretaking of buildings and structures, e.g., washing of windows and walls, cleaning and waxing of floors, and cleaning of rugs, drapes and upholstery (if done in the same location).

Purpose: To recognize that cleaning buildings does not meet the current definition of retail sale, since the activity is oriented toward merely preserving structures in their current condition, rather than actually changing the structure.

Category/Year Enacted: Services. 1935; although the specific language excluding cleaning of buildings did not appear in the definition until 1943.

Primary Beneficiaries: Janitorial service firms and their customers.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Estimates included with personal and professional services above.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.04.050(3e) TREE TRIMMING UNDER POWER LINES

Description: Excluded from the definition of retail sales are charges for pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or equipment. To qualify, the work must be performed by or under the direction of an electric utility.

Purpose: To clarify the tax liability of these activities in light of the extension of sales tax to landscaping services in 1993.

Category/Year Enacted: Tax base. 1995

Primary Beneficiaries: Firms that prune trees and brush under electric power transmission lines and the power companies that contract for their services.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 2,358	\$ 2,428	\$ 2,501	\$ 2,576
Local taxes	\$ 690	\$ 711	\$ 732	\$ 754

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.04.050(6) CUSTOMIZED COMPUTER SOFTWARE

Description: Under the definition of retail sale, customized computer software, including customization of canned software, is not subject to retail sales tax. Instead, persons who produce customized software are subject to B&O tax under the service classification.

Purpose: To reflect the fact that producing customized software is considered as a service.

Category/Year Enacted: Services. 1998 Custom software had always been considered as a service rather than a retail sale but not until 1998 was this specifically recognized in the law.

Primary Beneficiaries: Buyers of custom and customized canned software.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 20,603	\$ 22,148	\$ 23,809	\$ 25,595
Local taxes	\$ 6,022	\$ 6,474	\$ 6,960	\$ 7,482

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.04.062 PRECIOUS METALS & BULLION

Description: Sales of precious metals and monetized bullion from stock are exempt from retail sales tax. Wholesale and retail sales are also exempt from B&O tax, but dealers in these metals are subject to B&O service tax on commissions received.

Purpose: To provide tax relief to coin and bullion dealers who experience competition from dealers in other states which do not levy retail sales tax on such transactions.

Category/Year Enacted: Other business. 1985

Primary Beneficiaries: Coin and bullion investment dealers and purchasers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Local taxes	\$ 731	\$ 731	\$ 731	\$ 731

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however, these purchases can easily be made via mail order and the tax would be difficult to collect.

82.08.010(1) TRADE-INS

Description: The definition of selling price for purchases subject to retail sales tax may exclude the value of trade-ins. To qualify, the used items must be accepted by the vendor and be of "like-kind." For example, a used trombone may be traded-in for a new French horn, since both are musical instruments.

Purpose: To encourage purchases of new items, especially motor vehicles.

Category/Year Enacted: Individuals. 1984 (by initiative of the voters).

Primary Beneficiaries: Vehicle and farm implement dealers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$125,000	\$130,000	\$134,000	\$138,000
Local taxes	\$ 36,538	\$ 38,000	\$ 39,169	\$ 40,338

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0251 CASUAL AND ISOLATED SALES

Description: Persons who are not otherwise engaged in business activities are not required to collect retail sales tax when they sell items or services meeting the definition of a retail sale to consumers. The buyers of such items or services remain liable for use tax on the value of these purchases.

Purpose: To limit retail sales tax collection and reporting to business entities. Also, the exemption recognizes the practical problems associated with locating and registering casual sellers.

Category/Year Enacted: Individuals. 1935

Primary Beneficiaries: Individuals who sell used items at "garage" sales and businesses that sell their used equipment.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 4,765	\$ 5,014	\$ 5,325	\$ 5,659
Local taxes	\$ 1,393	\$ 1,466	\$ 1,557	\$ 1,654

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.08.0253 NEWSPAPERS

82.12.0345

Description: Newspapers are exempt from retail sales/use tax, including those sold by subscription and at newsstands. Department rules define newspaper as a publication of general interest issued at regular intervals of less than two weeks, containing articles of general interest and current events and without substantial binding.

Purpose: To recognize the practical problem of collecting sales tax on individual sales of about a nickel, the typical price of a newspaper in 1935. Arguments have also been made in the past that newspaper carriers (mostly youth) should not have to be responsible for collecting and reporting the tax; however, the billing function has now largely been centralized by the publisher.

Category/Year Enacted: Individuals. 1935; use tax exemption added in 1994.

Primary Beneficiaries: Publishers and purchasers of newspapers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 13,239	\$ 13,977	\$ 14,756	\$ 15,578
Local taxes	\$ 3,870	\$ 4,086	\$ 4,313	\$ 4,554

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.02535 FUND-RAISING SALES OF MAGAZINES

Description: Magazine subscriptions sold by schools or nonprofit organizations for purposes of raising funds to support their school or organization are exempt from retail sales tax.

Purpose: To support these organizations.

Category/Year Enacted: Nonprofit - other. 1995

Primary Beneficiaries: Schools and nonprofit youth organizations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 434	\$ 447	\$ 460	\$ 474
Local taxes	\$ 127	\$ 131	\$ 135	\$ 138

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.02537 ACADEMIC TRANSCRIPTS

82.12.0347

Description: Exemption from retail sales/use tax is provided for public and private educational institutions for the amount of fees charged for providing copies of academic transcripts on behalf of their current and former students.

Purpose: To provide tax relief for students who are charged for copies of academic transcripts sent on their behalf to other schools, prospective employers, etc.

Category/Year Enacted: Individuals. 1996

Primary Beneficiaries: Students. Also, public and private high schools and colleges which are relieved of the task of collecting sales tax on charges for providing transcripts.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 116	\$ 117	\$ 117	\$ 117
Local taxes	\$ 34	\$ 34	\$ 34	\$ 34

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0255(1b) MOTOR VEHICLE AND SPECIAL FUEL
82.12.0256(3)

Description: Fuel that is subject to the motor vehicle fuel tax or special fuel tax (i.e., gasoline, diesel, propane, etc. that is used on public highways of the state) is exempt from retail sales/use tax.

Purpose: To avoid double taxation. However, there are other instances of products being subject to a tax at the distributor level and another tax at the retail level.

Category/Year Enacted: Individuals. 1935

Primary Beneficiaries: Individuals and businesses that purchase fuel for use on public highways.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$249,521	\$240,229	\$251,762	\$267,871
Local taxes	\$ 72,937	\$ 70,221	\$ 73,592	\$ 78,301

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.02573 NONPROFIT ORGANIZATION FUND-RAISING

Description: Nonprofit organizations are exempt from retail sales tax on revenue they receive via fund-raising activities, as long as the funds are used to support the purposes of the organization. The exemption does not extend to the regular operation of a bookstore, thrift shop or restaurant.

Purpose: To support the activities of these organizations.

Category/Year Enacted: Nonprofit - other. 1998; previously exemption was provided for bazaars, rummage sales and fund-raising auctions.

Primary Beneficiaries: Nonprofit organizations that conduct fund-raising activities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 426	\$ 438	\$ 451	\$ 465
Local taxes	\$ 124	\$ 128	\$ 132	\$ 136

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0258 RED CROSS
82.12.0259

Description: The American Red Cross is exempt from retail sales/use tax on items they purchase.

Purpose: To support the programs and social benefits the Red Cross provides. Additionally, the Red Cross is considered as a nontaxable federal instrumentality under constitutional case law and could not be directly taxed by the state.

Category/Year Enacted: Nonprofit - health or social welfare. 1945

Primary Beneficiaries: The Red Cross is the only qualifying organization.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.08.0282 RETURNABLE CONTAINERS
82.12.0276

Description: Returnable food or beverage containers are exempt from retail sales/use tax.

Purpose: A retailer's purchase of nonreturnable food and beverage containers is normally exempt from sales/use tax because the containers are later sold to consumers. This exemption provides comparable treatment for returnable containers that would not otherwise qualify for the resale exemption, since the containers are not technically "sold" to the food or beverage purchaser.

Category/Year Enacted: Other business. 1974

Primary Beneficiaries: Firms that purchase containers for supplying food and beverages to consumers which could be returned by the consumer to the vendor.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal; many beverage containers are now plastic and nonreturnable; cans and bottles are more often recycled than returned to the vendor in this state.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0289 LOCAL RESIDENTIAL & COIN-OP TELEPHONE SERVICE

Description: Exemption from retail sales/use tax is allowed for local calls made by residential telephone customers, calls made from coin-operated payphones, and calls made from cell phones by a customer whose primary place of use is outside the state.

Purpose: To relieve the tax burden for the "necessary" portion of telephone service (i.e., local calls by individuals). The coin-op exemption is for purposes of administrative simplicity, while the mobile telecommunication service exemption is consistent with the state's implementation of the federal mobile telecommunication act and is intended to clarify "sourcing" issues related to taxing cell phone usage.

Category/Year Enacted: Individuals. 1983; extended to out-of-state mobile phones in 2002.

Primary Beneficiaries: Residential telephone customers, coin-op phone users and nonresident owners of mobile phones.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 42,000	\$ 41,000	\$ 41,000	\$ 41,000
Local taxes	\$ 12,300	\$ 12,000	\$ 12,000	\$ 12,000

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0291 RECREATION & PHYSICAL FITNESS SERVICES **82.12.02917**

Description: Exemption from retail sales/use tax is allowed for amusement, recreation and physical fitness services that are provided by nonprofit youth organizations and for physical fitness classes provided by a local government.

Purpose: To support the activities of youth organizations and to clarify that fees for physical fitness classes by local governments are not considered as enterprise income.

Category/Year Enacted: Nonprofit - charitable or religious. 1981, significant expansion in 1984.

Primary Beneficiaries: Approximately 200 nonprofit youth organizations and their members.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 3,861	\$ 3,977	\$ 4,096	\$ 4,219
Local taxes	\$ 891	\$ 918	\$ 945	\$ 974

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.0293 FOOD PRODUCTS
82.12.0293

Description: Food products purchased for home consumption by humans are exempt from retail sales/use tax. Not included are items prepared by persons required to have a food-handler's license.

Purpose: To lessen the regressivity of the sales tax and to reduce the cost of essential items.

Category/Year Enacted: Individuals. 1977; adopted by initiative of the voters in November 1977, effective July 1, 1978. Note: the exemption was temporarily repealed from May 1982 through June 1983. In 2003, the statute was amended to add language conforming to the Streamlined Sales Tax Agreement; these extended the exemption to bottled water and removed the exemption for non-carbonated drinks containing less than 50 percent fruit juice.

Primary Beneficiaries: Consumers who purchase food for home consumption.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$670,762	\$719,056	\$750,228	\$783,388
Local taxes	\$196,069	\$210,186	\$219,297	\$228,990

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.0297 FOOD STAMP PURCHASES
82.12.0297

Description: Items purchased with food stamps issued by the U.S. Dept. of Agriculture are exempt from retail sales/use tax. This includes products such as soft drinks, vitamins, and cold, prepared deli items which are not considered as food items for home consumption eligible for the sales tax exemption.

Purpose: Federal law requires states to exempt food stamp purchases from sales tax as a condition of participation in the federal food stamp program.

Category/Year Enacted: Individuals. 1987

Primary Beneficiaries: Food stamp recipients.

Possible Program Inconsistency: Yes; the definition of products eligible for sales tax exemption in RCW 82.08.0293 does not exactly correspond with the products which the federal government allows to be purchased with food stamps.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,465	\$ 1,537	\$ 1,604	\$ 1,675
Local taxes	\$ 428	\$ 449	\$ 469	\$ 490

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.031 ARTS AND CULTURAL ORGANIZATIONS **82.12.031**

Description: Items purchased by artistic or cultural organizations which are acquired for purposes of exhibition or presentation to the general public are exempt from retail sales/use tax. Included are objects of art, items with cultural value, objects used to create art (other than tools), and items used in displaying art and presenting cultural presentations and performances.

Purpose: To support these organizations and the social benefits they provide.

Category/Year Enacted: Nonprofit - arts or cultural. (However, the statute does not require nonprofit status.) 1981

Primary Beneficiaries: Artistic and cultural organizations and their patrons.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 760	\$ 760	\$ 760	\$ 760
Local taxes	\$ 220	\$ 220	\$ 220	\$ 220

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.032 USED PARK-MODEL TRAILERS **82.12.032**

Description: Exemption from retail sales/use tax is allowed for the sale, rental or lease (more than 30 days) of used park-model trailers. These units are defined as travel trailers of no more than 400 square feet which have lost their identity as a mobile unit by being permanently sited, placed on a foundation and connected to utilities.

Purpose: To provide tax treatment for used park-model trailers comparable to the treatment of residential real estate. The initial purchase of a park-model trailer, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of park-model trailers are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 2001

Primary Beneficiaries: Purchasers/renters of park-model trailers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 310	\$ 329	\$ 342	\$ 349
Local taxes	\$ 91	\$ 96	\$ 100	\$ 102

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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82.08.033 USED MOBILE HOMES
82.12.033

Description: Exemption from retail sales/use tax is allowed for the sale, rental or lease (more than 30 days) of a used mobile home that is attached to the land.

Purpose: To provide tax treatment for such mobile homes comparable to the treatment of residential real estate. The initial purchase of a mobile home, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of mobile homes that are attached to the land are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 1979

Primary Beneficiaries: Purchasers/renters of used mobile homes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 14,294	\$ 15,240	\$ 16,248	\$ 17,324
Local taxes	\$ 3,943	\$ 4,204	\$ 4,482	\$ 4,779

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.08.034 USED FLOATING HOMES
82.12.034

Description: Exemption from retail sales/use tax is allowed for the sale, rental or lease (of more than 30 days) of a used floating home as defined in RCW 82.45.032.

Purpose: To provide tax treatment for used floating homes comparable to the treatment of residential real estate. The initial purchase of a floating home, like the construction of a residential home built for an owner by a contractor, is subject to retail sales tax. Subsequent sales of floating homes are subject to real estate excise tax rather than retail sales tax, just as they are for other homes.

Category/Year Enacted: Individuals. 1984

Primary Beneficiaries: Purchasers/renters of used floating homes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 79	\$ 79	\$ 79	\$ 79
Local taxes	\$ 23	\$ 23	\$ 23	\$ 23

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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82.08.036 CORE DEPOSITS; TIRE FEES
82.12.038

Description: The value of returnable products accepted by vendors for recycling or remanufacturing is exempt from retail sales/use tax. Also, the statute excludes from the measure of sales/use tax the amount of the \$1.00 tire assessment imposed under RCW 70.95.510 (Note: this assessment expired on September 30, 1994).

Purpose: The exemption for core charges (items returned for recycling/remanufacturing) is unnecessary since these items are considered as trade-ins which are already exempt. The exemption for the tire assessment is unnecessary, since this fee expired in 1994.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Purchasers of rebuilt auto parts.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.08.830 NONPROFIT CAMPS AND CONFERENCE CENTERS

Description: Retail sales tax does not apply to items sold by nonprofit organizations at camps or conference centers, if the income from the sale is exempt from B&O tax and the property where the sale took place is exempt from property tax. The exemption covers items such as lodging, parking, meals, books, tapes and other products available only to participants of the camp or conference center event and not to the general public.

Purpose: To reduce the cost of operating such camps and conference centers and to support these nonprofit organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1997

Primary Beneficiaries: Participants at camps and conferences operated by nonprofit organizations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 135	\$ 139	\$ 144	\$ 148
Local taxes	\$ 40	\$ 41	\$ 42	\$ 43

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.08.832 GUN SAFES
82.12.832

Description: Retail sales/use tax does not apply to locked enclosures specifically designed to store firearms. The exemption does not include trigger lock devices.

Purpose: To encourage the purchase and use of gun safes.

Category/Year Enacted: Individuals. 1998

Primary Beneficiaries: Persons who purchase gun safes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 43	\$ 46	\$ 48	\$ 51
Local taxes	\$ 13	\$ 13	\$ 14	\$ 15

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.08.950 ELECTRICITY AND STEAM
82.12.950

Description: This statute specifically exempts electricity and steam from retail sales/use tax. (NOTE: This new exemption does not change the taxability of electricity and steam, which were previously excluded from the definition of tangible personal property subject to Washington sales/use tax. However, the wording of this new statute is necessary to conform to the Streamlined Sales Tax definitions.)

Purpose: This exemption was enacted to bring Washington sales tax law into conformity with the Streamlined Sales Tax Agreement. The Agreement provides universal definitions for sales/use tax purposes across states and simplifies tax compliance for multi-state retailers.

Category/Year Enacted: Tax base. 2003

Primary Beneficiaries: Purchasers of electricity and steam.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; this statute is necessary for definitional purposes only.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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82.14.410 LOCAL SALES TAX RATE CAP FOR LODGING

67.28.181

Description: These statutes exempt charges for lodging from any retail sales/use tax levied by a local government jurisdiction after December 1, 2000, if the local tax would have resulted in a combined tax rate on such charges in excess of 12.0 percent or the rate that would otherwise have applied on December 1, 2000. Included in the calculation of the maximum tax rate that would have applied on December 1, 2000 are the state retail sales tax (6.5%); city/county local sales tax (1.0%); transit district local sales tax (0.6%); criminal justice local sales tax (0.1%); the state convention center tax on hotels with more than 60 units that applies in King County (7.0% within Seattle; 2.8% elsewhere), and hotel/motel taxes levied by cities and counties (2.0%). These totaled 15.2 percent for lodging within Seattle and 12.0 percent elsewhere. As a result, lodging at facilities with more than 60 units in Seattle was excluded from the additional local sales tax for transit (rate increased from 0.6 to 0.8% in April 2001). Similarly, local sales taxes in parts of Pierce County have been restricted from new or increased local taxes on charges for lodging. To date, these are the only jurisdictions impacted by the rate cap.

Purpose: To honor the maximum rate on lodging taxes per RCW 67.28.181 and to encourage tourist activities in areas with high tax rates.

Category/Year Enacted: Other business. 2001

Primary Beneficiaries: Hotels/motels in Seattle with more than 60 units and hotels/motels of any size in Pierce County and their customers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 0	\$ 0	\$ 0	\$ 0
Local taxes	\$ 1,285	\$ 1,324	\$ 1,364	\$ 1,405

If the tax rate cap were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.14.430 REGIONAL TRANSPORTATION TAX; MOTOR VEHICLES

Description: This statute authorizes a regional transportation investment district to levy a local retail sales/use tax of up to 0.5 percent to finance regional transportation projects. Subsection (1) exempts motor vehicles from the local tax. However, subsection (2) imposes a special use tax at the same tax rate on motor vehicles purchased by residents of the district.

Purpose: This unique tax arrangement enables vehicle dealers located within such a district to avoid having to collect the 0.5 percent local sales tax for regional transportation from purchasers of new or used vehicles who reside outside of the district. Conversely, residents of the district who purchase vehicles from dealers located outside of the district will still be subject to the tax.

Category/Year Enacted: Tax base. 2002

Primary Beneficiaries: Tax not yet imposed.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; local tax not yet imposed.

SALES TAXES

82.14.450(3) LOCAL SALES TAX EXEMPTION; VEHICLES

Description: Counties are authorized to levy a local retail sales/use tax of up to 0.3 percent to finance criminal justice and other programs. (One-third of the receipts must be devoted to criminal justice expenditures. The county retains 60 percent of the receipts and the remainder is shared with cities on a per capita basis.) Subsection (3) of the statute provides that sales of motor vehicles are exempt from this local tax. Similarly, leases of motor vehicles for the first 36 months of the lease period are not subject to the tax.

Purpose: The exemption acknowledges that vehicle dealers will have to compete with sellers located in adjacent areas where the local tax is not levied.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Tax not yet imposed.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; local tax not yet imposed.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however, there would be a significant incentive for vehicles buyers to avoid the tax by purchasing outside of the county.