

PREFACE

This report provides comprehensive background information on each of over 50 tax sources utilized by state or local governments in Washington. The report was prepared by the Research Division of the Washington State Department of Revenue. It updates a similar synopsis of taxes last published by the Department in January 2007.

The Tax Reference Manual provides a general description and historical information on these tax sources. It is not intended to be a guide to taxpayers for reporting any tax liability. Thus, it contains neither legal interpretations of state tax law nor instructions to taxpayers. **In particular, taxpayers are cautioned that tax laws and tax rates can change; the information provided herein should not be utilized for reporting any tax liability.**

An outline format is used to present the information in a way that will facilitate location of particular data by the reader and make the report easy to use. The intention is to cover those questions which are most frequently asked about taxes (e.g. RCW citations, advantages and disadvantages of various tax sources, recent collection figures, etc.), while keeping the text as short as possible. For each particular tax that is described in Part II, there are nine items included in the discussion. Each of these categories is described below:

Tax Base

The initial section explains what is taxable, i.e., the measure of the tax.

Tax Rate

The rate is the percentage or fixed dollar amount which determines the amount of the tax liability. When the tax rate is multiplied by the tax base, the product is the amount of tax that is due.

Levied By

This indicates which governmental jurisdictions are authorized to impose the tax. In most instances, an attempt is made to indicate which of these are actually levying the tax.

Recent Collections

The amount of revenue collected, net of credits and refunds, is shown by fiscal year (ending June 30) for each state tax for the latest ten-year period. For most sources, the figures represent cash collections during the fiscal year; some data reflect accrued liability (i.e., on

the basis of GAAP - generally accepted accounting principles). The annual rate of change and the percentage of all general state taxes are indicated. The source of the state collection figures is the state agency which collects the tax. Detailed data are not available for all local tax sources, but in some instances distributions of tax receipts to local jurisdictions are indicated. Local tax collections for calendar year 2008 are the latest available via the Local Government Financial Reporting System (LGFRS) administered by the State Auditor.

Administration

The administering state or local agency is indicated, along with a brief description of who pays the tax and in what manner.

Distribution of Receipts

This section describes the utilization of the revenues produced by each tax, including any dedicated revenues to specific funds.

Exemptions

Items which reduce the tax liability for particular types of taxpayers through exemptions, deductions, and credits are listed. This report does **NOT** list every possible tax exemption, but it does indicate the general types of tax preferences which are provided by state law. The source for most of this information is the study of tax exemptions conducted by the Department every four years.

History

A brief historical development of the tax is provided, including the year of initial imposition and major changes in tax rates and the tax base. Also, a short history of the overall state tax system appears in Part I.

Discussion/Major Issues

The final section discusses features of the tax which may be of interest to certain readers. A very brief discussion of the "pros" and "cons" of the tax is given in some instances. It must be emphasized that, **in providing this discussion of taxes, the statements do not represent the Department's position on the various sources, and it should not be inferred that the Department favors or opposes any particular tax or any alternatives to existing taxes.** Instead, this section simply represents some of the general comments which have been expressed about the advantages and disadvantages of certain taxes.

It should be noted that previous editions of the manual included a "Boxing and Wrestling" tax. This was a tax instituted in 1933 which applied to promoters of such events pursuant to chapter 67.08 RCW. The tax rate was 5 percent of the gross proceeds of the event, and the typical annual yield was less than \$100,000. Legislation enacted in 2009 changed the nature of this revenue

source, so that it is now more similar to the other professional and occupational licenses that are administered by the Department of Licensing. Designated now as an “event fee,” the proceeds no longer go to the general fund but are deposited into the business and professions account which is used by DOL for administrative costs of their licensing programs. Accordingly, it was decided to discontinue listing the event fee as a “tax” and it no longer appears in this manual.

In preparing this report the Research Division would like to acknowledge the assistance and information provided by many persons, including staff of the following state agencies:

Department of Labor and Industries
Department of Licensing
Department of Transportation
Employment Security Department
Gambling Commission
Horse Racing Commission
Liquor Control Board
Office of Financial Management
Office of the Insurance Commissioner
Office of the State Auditor

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