2012 Tax Exemption Study

A Study of Tax Exemptions, Exclusions, Deductions, Deferrals, Differential Rates and Credits for Major Washington State and Local Taxes

WASHINGTON STATE DEPARTMENT OF REVENUE
Brad Flaherty, Director

Research and Fiscal Analysis Division
Kathy Oline, Assistant Director

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Support by the Office of Legislation and Policy

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## SUMMARY LISTING OF ALL EXEMPTIONS

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INTRODUCTION AND SUMMARY OF FINDINGS

Introduction
This report presents a detailed listing of tax exemptions for the major Washington state and local taxes. The term "exemption" is used broadly to include a variety of tax preference items which confer reduced tax liability upon a certain class of taxpayers; it includes exclusions, deductions, preferential tax rates, deferrals, credits, as well as exemptions. The Exemption Study is updated every four years pursuant to RCW 43.06.400 (see Appendix I). The report does not include a discussion of the theoretical considerations of tax exemptions, nor does it contain any recommendations as to the retention or removal of existing exemptions. It is intended only to fulfill the statutory requirement of providing a "listing" of current exemptions.

The 2012 edition of the Exemption Study lists 640 different exemptions found principally in Titles 82 and 84 of the Revised Code of Washington. However, the Department focuses only on the 452 tax exemptions that would likely increase state revenues if eliminated. This was a result of an amendment to the authorizing statute adopted in 2011 as a part of ESHB 1346 (Chapter 20, 1st Special Session, Section 201). The remaining exemptions are not likely to increase state revenues due to constitutional prohibitions against taxing certain activities, property tax rate limitations which result in tax shifts among remaining property owners, or possible changes in taxpayer reporting behavior.

In some instances, similar statutes are considered together as a single estimate, e.g., retail sales and use tax exemptions for the same product or activity. In other cases, a single statute may be divided into separate estimates to better illustrate the impacts.

It must be emphasized that the revenue impacts presented herein reflect the estimated savings to taxpayers and do not necessarily indicate the potential revenue which might accrue to governmental jurisdictions in the absence of the exemptions. The estimates are provided in terms of accrued tax liability and the actual cash receipts during a particular biennium might be lower as a result of initial compliance factors. All estimates contained in this report are based on the June 2011 Economic and Revenue Forecast Council forecast.
Summary of Findings
In aggregate, the state and local impacts of the 452 tax exemptions combine for an estimated taxpayer savings of $29.3 billion for the 2011-13 Biennium. A large majority of the impact for these exemptions - $24 billion or 82 percent - is represented by exemptions from state taxes; exemptions from local government taxes amount to only $5.3 billion. The reduced impact for local taxes is due to the almost total exclusion of property tax exemptions from the 2012 study.

Table 1 summarizes the number of exemptions and the distribution of state and local impacts for the various types of taxes considered in this report.

Table 1
SUMMARY OF TAX EXEMPTION IMPACTS BY TAX SOURCE
Estimated Taxpayer Savings
2011-13 Biennium ($ millions)

<table>
<thead>
<tr>
<th>Tax Source</th>
<th>2012 Report # of Exemptions</th>
<th>Estimated Biennial Taxpayer Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>State Taxes</td>
</tr>
<tr>
<td>Property Tax</td>
<td>6</td>
<td>$ 4.83</td>
</tr>
<tr>
<td>In Lieu Excise Taxes</td>
<td>35</td>
<td>58.56</td>
</tr>
<tr>
<td>Business &amp; Occupation Tax</td>
<td>176</td>
<td>7,654.52</td>
</tr>
<tr>
<td>Other Business Taxes</td>
<td>63</td>
<td>819.22</td>
</tr>
<tr>
<td>Retail Sales &amp; Use Tax</td>
<td>151</td>
<td>12,098.98</td>
</tr>
<tr>
<td>All Other Taxes</td>
<td>21</td>
<td>3,423.03</td>
</tr>
<tr>
<td>TOTAL</td>
<td>452</td>
<td>$24,059.14</td>
</tr>
</tbody>
</table>
INTRODUCTION AND SUMMARY OF FINDINGS

Chart 1 shows the distribution of taxpayer savings by tax source, with the majority of the savings coming from sales/use tax exemptions. Business and occupation (B&O) tax exemptions also account for a large share of the state impact.

Chart 1
DISTRIBUTION OF TAX EXEMPTIONS BY TAX SOURCE

Estimated Taxpayer Savings for 2011-13 Biennium

- Retail Sales & Use Tax: 57.6%
- B & O Tax: 26.1%
- Other Business Taxes: 2.8%
- All Other Taxes: 13.5%
- All Other Taxes: 13.5%

Nearly all of the local exemption impacts relate to local sales taxes. It should be noted that this study does not consider certain local taxes, such as the municipal business taxes, since they are locally administered.

Normally, the property tax is attributable for the largest tax exemption savings for taxpayers, especially the exemption of intangibles (money, stocks, bonds, etc). However, as noted above, the 2012 study considers only those statutes which would likely increase state revenues if eliminated. Because of the limits on taxing district revenues, nearly all of the property tax exemptions represent a shift in tax burdens, rather than actual revenue reductions. Repeal of property tax exemptions would result in a broader tax base, thereby lowering the levy rates for all taxpayers. Thus, the property tax plays a very small role in the impact of tax exemptions for this report.
INTRODUCTION AND SUMMARY OF FINDINGS

Among the larger sales/use tax exemptions are the exclusion of personal and professional services, personal property brought into the state by nonresidents, vehicles used in interstate commerce, food for off-premises consumption, motor vehicle fuel, manufacturing machinery, and prescription drugs. By far the largest state B&O tax exemption is the exclusion of employee salaries/wages; this helps define the intended tax base by restricting the tax to business income.

Exemptions vs. Revenues

Table 2 and Chart 2 on the following page compare the estimated taxpayer savings resulting from exemptions for selected state tax sources with the forecasted revenues for those same sources. In the aggregate, these state exemptions amount to $21.2 billion for the 2011-13 Biennium, while the projected revenues for these state sources total $22.8 billion. For the state B&O tax and the real estate excise tax, the amount exempted exceeds the actual amount of expected revenue. For the retail sales/use tax and the public utility tax, the actual revenues exceed the impact of the exemptions. For the four state tax sources, the amount of taxpayer savings is nearly 50 percent of the potential tax base, if all exemptions were eliminated.

**Table 2**

**COMPARISON BETWEEN IMPACTS OF TAX EXEMPTIONS AND TAX REVENUES**

<table>
<thead>
<tr>
<th>Selected Major State Tax Sources</th>
<th>2011-13 Biennium ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Tax Source</td>
<td>Estimated State Revenue Impact of Exemptions</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>State B&amp;O Tax</td>
<td>$7,654.5</td>
</tr>
<tr>
<td>Public Utility Tax</td>
<td>270.3</td>
</tr>
<tr>
<td>Retail Sales/Use Tax</td>
<td>12,099.0</td>
</tr>
<tr>
<td>Real Estate Excise Tax</td>
<td>1,136.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$21,160.0</td>
</tr>
</tbody>
</table>

1 Economic and Revenue Forecast, Office of the Forecast Council, November, 2011.

2 The total taxpayer savings from exemptions compared with the total exempt amount plus the projected revenue, i.e., exemptions compared with the total potential revenue if the exemptions did not exist.
INTRODUCTION AND SUMMARY OF FINDINGS

Chart 2
COMPARISON BETWEEN EXEMPTIONS AND REVENUES
Taxpayer Savings and Projected Revenue Collections
For Major State Taxes (Does Not Include Local)
2011-13 Biennium ($Millions)

Categorical Analysis
Tax exemptions are established for a variety of reasons. In an attempt to present more meaningful data for the various types of exemptions, 14 categories were developed and each of the exemptions was assigned to the category which most closely represents its primary purpose or type of beneficiary. A brief description of the exemption categories appears below:

**Tax Base:** This category includes activities which were not intended by the Legislature to be included in the original tax base. For example, the state B&O tax is intended to tax the privilege of engaging in business. Working for an employer as an employee is not considered as engaging in business. There is a specific statutory exemption (RCW 82.04.360) to assure that employees are not subject to B&O tax, even though it was never the intention that the tax apply to salaries and wages.
INTRODUCTION AND SUMMARY OF FINDINGS

**Government:** Governmental jurisdictions include the federal government, the state of Washington, local governments and foreign countries. In some instances these entities may be taxed, e.g., state and local jurisdictions pay retail sales tax on the acquisition of tangible personal property. Even the federal government is indirectly taxed through the use tax liability of contractors who install tangible personal property pursuant to federal construction contracts. However, for some other taxes, subjecting publicly owned property and governmental activities to tax would simply amount to a transfer of funds among jurisdictions.

**Commerce:** The U.S. Constitution prohibits direct taxation of interstate commerce. As a result, certain exemptions have been enacted to assure that Washington does not violate this requirement.

**Intangibles:** Wealth that is represented by intangible assets, such as money, stock and bonds, bank deposits and other securities, is exempt from property taxation. Because of its unique nature and the difficulty of distinguishing between intangibles that are owned by individuals and businesses, a separate category has been assigned.

**Services:** A major exclusion from the base of the retail sales tax is represented by services. Initially, the sales tax applied only to tangible personal property (i.e., goods). But over the years the base has been extended to certain other activities such as construction and repair services.

**Nonprofit Organizations:** There are a variety of property, B&O and sales tax exemptions provided for nonprofit organizations. This report further categorizes these exemptions according to the specific type or function of the organization:

- "H" - Health or social welfare organization
- "C" - Charitable or religious organization
- "A" - Arts or cultural organization
- "O" - All other nonprofit groups.
INTRODUCTION AND SUMMARY OF FINDINGS

**Individuals:** These exemptions generally benefit people, as opposed to businesses or other entities. The obvious example for this category is the sales tax exemption of food products for human consumption. Some exemptions in this category are directed toward a certain group of people, such as senior citizens.

**Business Incentives:** Some exemptions are "targeted" to encourage particular activities by businesses. Most often, these are intended to attract or retain a specific industry to Washington and create employment opportunities in this state. Other exemptions seek to encourage businesses to behave in a certain fashion, e.g., locate or expand in rural counties, invest in pollution control equipment, etc.

**Other Exemptions for Businesses:** Many other exemptions are provided for firms without specifically expecting a particular behavior, e.g., deductions for cash discounts and credit losses. These are generally enjoyed by most business entities.

**Agriculture:** Many exemptions have been adopted to assist the agricultural industry. The bulk of Washington's current excise taxes were adopted in the 1930s when the Great Depression was adversely impacting many industries, in particular the farming community.

**Other Exemptions:** Some exemptions do not fit conveniently into another grouping, so these are considered together in the "Other" category.

Table 3 and Chart 3 summarize the results of the categorical analysis. Exemptions for individuals are the leading category, representing 30 percent of the total taxpayer savings. Among the larger items in this category are the property tax exemption for household goods; use tax exemption for imported personal property of nonresidents; and sales tax exemptions for food, prescription drugs, motor vehicle fuel, trade-ins and local residential telephone service. The share of total exemptions for individuals would be much greater if it included their portion of the taxpayer savings for intangibles and services.
## INTRODUCTION AND SUMMARY OF FINDINGS

### Table 3
TAX EXEMPTIONS BY CATEGORY
2011-13 Biennium ($ millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Exemptions</th>
<th>Taxpayer Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Law</td>
<td>2012 Study</td>
</tr>
<tr>
<td>Tax base</td>
<td>78</td>
<td>51</td>
</tr>
<tr>
<td>Government</td>
<td>80</td>
<td>41</td>
</tr>
<tr>
<td>Commerce</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>Intangibles</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Services</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Nonprofit organizations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health or social welfare</td>
<td>39</td>
<td>22</td>
</tr>
<tr>
<td>Charitable or religious</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Arts or cultural</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Other organizations</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Individuals</td>
<td>53</td>
<td>35</td>
</tr>
<tr>
<td>Business incentive</td>
<td>113</td>
<td>94</td>
</tr>
<tr>
<td>Other business</td>
<td>108</td>
<td>96</td>
</tr>
<tr>
<td>Agriculture</td>
<td>60</td>
<td>53</td>
</tr>
<tr>
<td>Other</td>
<td>32</td>
<td>22</td>
</tr>
<tr>
<td>TOTAL</td>
<td>640</td>
<td>452</td>
</tr>
</tbody>
</table>
Exemption categories over which the Legislature has the least discretion are Tax Base and Commerce. Exemptions in these categories are either required for constitutional reasons or would involve a significant departure from current tax policy to eliminate them. Those in the Government category, likewise, have little potential for repeal. Taken together, the exemptions in these three categories represent over one-third of the total taxpayer savings.

Two classes of exemptions reflect long-standing and fundamental tax policy: the property tax exemption for intangibles and the sales tax exemption for services. The latter category represents nearly $5 billion in foregone sales tax revenue. Significant revision in either category would involve a major tax policy change.
Exemptions for businesses are assigned to one of three groupings: Business Incentives, Other Business, or Agriculture. These categories account for 243 out of the 452 exemptions considered in the 2012 report – well over one-half of the total exemptions. However, the aggregate impact for business-related exemptions is relatively small – barely 11 percent of the total taxpayer savings. Dominating the business tax exemptions are the sales tax exemption for manufacturing machinery and equipment, the reduced B&O tax rates and tax credits for aerospace-related activities, and agricultural exemptions, including the B&O tax exemption for farmers, and the sales tax exemptions for feed, seed, and fertilizers.

The 45 exemptions provided for nonprofit organizations account for a very small portion – approximately 2 percent - of the total taxpayer savings. Finally, the 22 exemptions assigned to the "Other" category represent 3.8 percent of the foregone revenues.

**Exemption History**
Table 4 and Chart 4 trace the evolution of tax exemption statutes over time, starting in Washington's territorial days.

Until 1935, no more than half a dozen new exemptions appeared in any single year. With the adoption of the Revenue Act of 1935 came 42 new exemption statutes. These were associated with the retail sales/use tax, business and occupation tax, and various other new state excise taxes.
**Table 4**  
CURRENT TAX EXEMPTIONS BY YEAR OF ENACTMENT

<table>
<thead>
<tr>
<th>Year Adopted</th>
<th>Number</th>
<th>Year Adopted</th>
<th>Number</th>
<th>Year Adopted</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1854</td>
<td>4</td>
<td>1959</td>
<td>4</td>
<td>1992</td>
<td>4</td>
</tr>
<tr>
<td>1871</td>
<td>1</td>
<td>1961</td>
<td>5</td>
<td>1993</td>
<td>11</td>
</tr>
<tr>
<td>1886</td>
<td>1</td>
<td>1963</td>
<td>4</td>
<td>1994</td>
<td>6</td>
</tr>
<tr>
<td>1889</td>
<td>5</td>
<td>1965</td>
<td>9</td>
<td>1995</td>
<td>17</td>
</tr>
<tr>
<td>1890</td>
<td>3</td>
<td>1967</td>
<td>16</td>
<td>1996</td>
<td>11</td>
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<tr>
<td>1891</td>
<td>2</td>
<td>1970</td>
<td>12</td>
<td>1997</td>
<td>18</td>
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<td>1911</td>
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<td>1915</td>
<td>3</td>
<td>1972</td>
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<td>1999</td>
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<td>1923</td>
<td>4</td>
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<td>1925</td>
<td>2</td>
<td>1974</td>
<td>5</td>
<td>2001</td>
<td>21</td>
</tr>
<tr>
<td>1929</td>
<td>1</td>
<td>1975</td>
<td>10</td>
<td>2002</td>
<td>5</td>
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<td>1931</td>
<td>4</td>
<td>1976</td>
<td>11</td>
<td>2003</td>
<td>34</td>
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<tr>
<td>1933</td>
<td>5</td>
<td>1977</td>
<td>4</td>
<td>2004</td>
<td>18</td>
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<td>1935</td>
<td>42</td>
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<td>13</td>
<td>2005</td>
<td>25</td>
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<td>1937</td>
<td>3</td>
<td>1980</td>
<td>12</td>
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<td>19</td>
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<td>1939</td>
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<td>1981</td>
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<td>2007</td>
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<td>1940</td>
<td>2</td>
<td>1982</td>
<td>4</td>
<td>2008</td>
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<td>1941</td>
<td>1</td>
<td>1983</td>
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<td>2009</td>
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<td>1943</td>
<td>3</td>
<td>1984</td>
<td>6</td>
<td>2010</td>
<td>12</td>
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<tr>
<td>1945</td>
<td>5</td>
<td>1985</td>
<td>9</td>
<td>2011</td>
<td>11</td>
</tr>
<tr>
<td>1947</td>
<td>4</td>
<td>1986</td>
<td>6</td>
<td>2012</td>
<td>3</td>
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<tr>
<td>1949</td>
<td>10</td>
<td>1987</td>
<td>14</td>
<td>TOTAL</td>
<td>640</td>
</tr>
<tr>
<td>1951</td>
<td>2</td>
<td>1988</td>
<td>3</td>
<td></td>
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</tr>
<tr>
<td>1955</td>
<td>4</td>
<td>1989</td>
<td>29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1957</td>
<td>1</td>
<td>1991</td>
<td>9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Relatively little took place in the field of tax exemptions during the three decades following the Revenue Act. Then activity increased in the late 1960s, as new tax policies were instituted, including new constitutional amendments allowing property tax exemptions for senior citizens and current use assessment of farm and open space lands. The first major exemption enacted by initiative of the voters occurred in 1977 with the adoption of Initiative 345 exempting food for off-premises consumption from the retail sales tax. This study dates the current food exemption statute from 1982, when the exemption was re-imposed after a temporary repeal during the recession of the early 1980s.

In recent decades there have been many new exemptions, as state policy-makers have attempted to encourage economic development through various tax incentive programs. Over the past 25 years there have been an average of 14 new exemption statutes adopted annually, culminating in the 34 new exemptions added in 2003 - the second largest number of new exemption statutes established in any one year.
NOTE: Nearly all of the property tax exemptions have been omitted from the 2012 Tax Exemption Study because, if repealed, they would not result in an actual gain of state revenue. The state and most local taxing jurisdictions are forecast to be at their maximum levies under the current limit on growth in levies; therefore, repeal of these exemptions would merely represent a broader tax base and thus lower tax rates for other taxpayers. Only those exemptions found on the following pages would represent actual revenue increases, because these amounts are not part of the levy process.

84.33.210   FOREST LAND SPECIAL ASSESSMENTS

Description: Land designated as forest land is exempt from special benefit assessments. This exemption applies to assessments by local improvement districts that may include forest land, as well as special benefit assessments for projects such as sewer systems, domestic water supply and road improvements. Neither local jurisdictions nor improvement districts are obligated to provide these services to the exempt forest land. However, the owner may waive the exemption, pay the assessment, and receive the services.

Purpose: To relieve forest land owners of the costs related to development of adjacent land.

Category/Year Enacted: Other. 1992

Primary Beneficiaries: No beneficiaries identified.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): $0.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, none of the county assessors indicated that this exemption is currently being utilized.
84.39.010 WIDOWS/WIDOWERS OF VETERANS

Description: This exemption is structured as a grant of state funds to pay a portion of the applicant’s property taxes. Qualified applicants must be a widow or widower of a veteran who either: (1) died as a result of a service-related disability; (2) was rated as 100 percent disabled for at least 10 years prior to death; (3) was a prisoner of war and 100 percent disabled for at least one year prior to death; or (4) died while on active duty or during active military training. Applicants for the property tax assistance program must be over age 62 or unable to work because of disability, must not have remarried and must have a combined disposable income of no more than $40,000.

Purpose: To provide property tax relief for survivors of deceased veterans.

Category/Year Enacted: Individuals. 2005

Primary Beneficiaries: Currently, averages of 70 persons participate annually.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>CY 2012</th>
<th>CY 2013</th>
<th>CY 2014</th>
<th>CY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State levy</td>
<td>$16</td>
<td>$16</td>
<td>$16</td>
<td>$16</td>
</tr>
<tr>
<td>Local levies</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

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

84.33.140(13-14) COMPENSATING TAX ON REMOVAL OF FOREST LAND

Description: When forest land is removed from the designated forest land program, a compensating tax is paid by the landowner to reimburse the taxing districts for past tax losses due to the lower land valuations associated with this program. This statute waives the compensating tax when forest land is removed in a variety of situations, e.g., governmental land exchanges, transfer to a governmental or non-profit entity for conservation purposes, or a transfer or sale within two years of the death of the owner.

Purpose: To encourage land transfers for conservation purposes and to avoid penalizing family members who sell designated forest land after the landowner has died.

Category/Year Enacted: Other. 1971 - expanded several times in subsequent years.

Primary Beneficiaries: Owners of some 6.3 million acres of designated forest land statewide.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>CY 2012</th>
<th>CY 2013</th>
<th>CY 2014</th>
<th>CY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State levy</td>
<td>$196</td>
<td>$196</td>
<td>$196</td>
<td>$196</td>
</tr>
<tr>
<td>Local levies</td>
<td>$770</td>
<td>$770</td>
<td>$770</td>
<td>$770</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
84.34.108(6) COMPENSATING TAX ON REMOVAL OF OPEN SPACE LAND

Description: When land is removed from the current use program, additional tax is paid by the landowner to reimburse the counties for past tax losses due to the low land valuations associated with this program. This statute waives the additional tax when land is removed in a variety of situations, e.g., governmental land exchanges, transfer to a governmental or non-profit entity for conservation purposes, a transfer or sale within two years of the death of the landowner, etc.

Purpose: To encourage transfers of open space lands under the enumerated situations.

Category/Year Enacted: Other. 1973, expanded several times in subsequent years.

Primary Beneficiaries: Owners of open space lands that are sold in these situations.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>CY 2012</th>
<th>CY 2013</th>
<th>CY 2014</th>
<th>CY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State levy</td>
<td>$ 341</td>
<td>$ 349</td>
<td>$ 358</td>
<td>$ 367</td>
</tr>
<tr>
<td>Local levies</td>
<td>$ 1,465</td>
<td>$ 1,531</td>
<td>$ 1,599</td>
<td>$ 1,671</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however, some sales to the public sector might not occur if the compensating tax had to be paid.

84.37.030 LOW INCOME DEFERRAL

Description: After five years of owning a home, the owner may request deferral of subsequent property taxes and special assessments, if the combined disposable income of the household does not exceed $57,000 annually. If the owner qualifies, up to 50 percent of the annual taxes may be deferred until the total amount deferred reaches 40 percent of the homeowner’s equity in the residence. The claimant must also meet the conditions of RCW 84.38.030(4 & 5) and may not defer taxes under both statutes in the same year. Local taxing districts are reimbursed by the state for the amount of local property taxes deferred under this program each year.

Purpose: To relieve the property tax burden of persons with limited income.

Category/Year Enacted: Individuals. 2007

Primary Beneficiaries: Approx. 100 homeowners statewide.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>CY 2012</th>
<th>CY 2013</th>
<th>CY 2014</th>
<th>CY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State levy</td>
<td>$ 203</td>
<td>$ 211</td>
<td>$ 217</td>
<td>$ 221</td>
</tr>
<tr>
<td>Local levies</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however, the amount of deferred tax is eventually repaid to the state.
**84.38.030 SENIOR CITIZEN/DISABLED HOMEOWNERS DEFERRAL**

Description: Senior citizens and disabled homeowners who qualify for property tax exemption in RCW 84.36.381, except for the age and income limits, may defer any remaining property taxes and special assessments up to 80 percent of the homeowner's equity in the residence (including up to five acres of adjoining property). Owners must be at least 60 years of age and have household income no greater than $40,000. All amounts of deferred taxes become a lien against the property, and upon the eventual sale of the property the deferred taxes plus interest must be paid to the state. Local taxing districts are reimbursed by the state for the local property taxes that are deferred under the program.

Purpose: To relieve the property tax burden of low-income, elderly or disabled persons.


Primary Beneficiaries: Approximately 745 senior citizen or disabled homeowners.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>CY 2012</th>
<th>CY 2013</th>
<th>CY 2014</th>
<th>CY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State levy</td>
<td>$1,630</td>
<td>$1,673</td>
<td>$1,571</td>
<td>$1,374</td>
</tr>
<tr>
<td>Local levies</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however, the deferred amount of tax is eventually repaid to the state.
35.21.755  PUBLIC CORPORATIONS

Description: Property owned by municipalities is exempt from property tax under RCW 84.36.010. RCW 35.21.755, however, provides that public corporations, commissions or authorities are liable for an in-lieu tax equivalent to what the property tax would have been, if the property were held in private ownership. However, this statute also exempts from the in-lieu tax any property that: (1) is located in a special review district established before January 1, 1976 or is listed on a federal or state historical register prior to January 1, 1987; (2) is used primarily for low-income housing; (3) is used as a convention center, performing arts center, public assembly hall or meeting place; (4) is considered as blighted property acquired for remediation, or (5) is used for transit purposes by a regional transit authority.

Purpose: The exemption for special review districts provides tax treatment comparable to that available at the federal level and encourages the retention of historic parcels. The other provisions support the social benefits provided by these publicly owned community resources.

Category/Year Enacted: Government. 1974. Originally, limited to historic property. The statute has been broadened several times in subsequent years.

Primary Beneficiaries: Beneficiaries include public housing authorities across the state, the Pike Place Market PDA, the Seattle Chinatown PDA, the Meydenbauer Convention Center in Bellevue, the Thea Foss Esplanade in Tacoma and property of the R.T.A. (Sound Transit).

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 674</td>
<td>$ 716</td>
<td>$ 724</td>
<td>$ 732</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 3,030</td>
<td>$ 3,233</td>
<td>$ 3,331</td>
<td>$ 3,509</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.020(1)  GOVERNMENT MANUFACTURING

Description: Excluded from the term "leasehold interest" is any interest in personal property owned by the U.S. government or a foreign government, if the right to use such property is part of a contract to produce articles for sale to these governments.

Purpose: To minimize the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Contractors with the federal and foreign governments.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 481</td>
<td>$ 485</td>
<td>$ 488</td>
<td>$ 492</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 422</td>
<td>$ 425</td>
<td>$ 428</td>
<td>$ 431</td>
</tr>
</tbody>
</table>

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

82.29A.020(1)  EASEMENTS FOR REMOVING PRODUCTS

Description: Excluded from the term "leasehold interest" are road or utility easements and rights of access, occupancy or use granted solely for the purpose of removing materials or products purchased from a public owner or lessee or for the purpose of natural energy resource exploration.

Purpose: To minimize costs to private firms and individuals who use public lands for these purposes.

Category/Year Enacted: Other. 1976

Primary Beneficiaries: Utility companies and other businesses and individuals who must have long-term access across public lands or who use public roads on a temporary basis to remove timber, minerals, etc. that are purchased from public entities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 249</td>
<td>$ 262</td>
<td>$ 275</td>
<td>$ 289</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 219</td>
<td>$ 230</td>
<td>$ 241</td>
<td>$ 254</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.020(2)  HANFORD LEASES, SPECIAL FEES

Description: For purposes of determining leasehold tax on lands on the Hanford reservation which are subleased to a private or public entity by the Department of Ecology, the term "taxable rent" includes only the annual cash rental payment and does not include fees, assessments or other charges.

Purpose: To reduce the cost of such leases.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: One firm meets the special criteria for this exclusion.

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? Yes.

82.29A.120(1)  CREDIT FOR EXCESSIVE LEASEHOLD TAX

Description: Credit is allowed against leasehold tax for two types of leases: (1) leases, other than product leases, executed after April 1, 1986, and (2) leases in which the Department of Revenue determines the amount of contract rent. For both types of leases, the credit is equal to the amount that the computed leasehold tax exceeds the amount of property taxes that would apply to the leased property if the property were in private ownership.

Purpose: The credit assures that the leasehold tax, which is in lieu of property tax, does not exceed the equivalent amount of property tax.

Category/Year Enacted: Other business. 1986

Primary Beneficiaries: Lessees of public property.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 150</td>
<td>$ 155</td>
<td>$ 167</td>
<td>$ 172</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 131</td>
<td>$ 136</td>
<td>$ 147</td>
<td>$ 151</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.120(2)  PRODUCT LEASES, 33% CREDIT

Description: A credit is allowed equal to 33 percent of the tax otherwise due on product leases, i.e., leases where the lessee pays the lessor a percentage of the value of the crop produced on the land.

Purpose: To support agriculture.


Primary Beneficiaries: Farmers who produce crops or graze livestock on publicly owned land.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 209</td>
<td>$ 205</td>
<td>$ 200</td>
<td>$ 196</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 184</td>
<td>$ 180</td>
<td>$ 176</td>
<td>$ 172</td>
</tr>
</tbody>
</table>

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

82.29A.125  ELECTRIC VEHICLE INFRASTRUCTURE

Description: Provides that leasehold interests in public lands are exempt from state and local leasehold excise tax, if the purpose of the leasehold interest is to install, maintain, or operate electric vehicle infrastructure. This exemption is scheduled to expire on January 1, 2020.

Purpose: To encourage installation of electric vehicle infrastructure.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: Owners of electric vehicle charging facilities.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There is uncertainty regarding the timing and number of charging stations that will be built in Washington. At this time, no vehicle charging stations are scheduled to be installed on public lands. Thus, the impact of this exemption is indeterminate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
TAXES IN LIEU OF PROPERTY TAX – LEASEHOLD EXCISE TAX

82.29A.130(3) SUBSIDIZED HOUSING

Description: Excluded from leasehold excise tax are leases of subsidized housing where fee ownership is vested in the U.S. government, the state, or any political subdivision. There must be an income qualification for such housing in order for the exemption to apply.

Purpose: To support public housing for low-income individuals.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public housing authorities and the individuals who reside in subsidized housing.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$10,733</td>
<td>$11,064</td>
<td>$11,407</td>
<td>$11,759</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 9,415</td>
<td>$ 9,706</td>
<td>$10,006</td>
<td>$10,315</td>
</tr>
</tbody>
</table>

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

82.29A.130(5) PUBLIC EMPLOYEE HOUSING

Description: When public employees are required by the terms of their employment to live in a publicly owned residence (e.g., at state parks), the property comprising the residence is not subject to leasehold excise tax.

Purpose: This exemption was enacted as part of legislative policy to not tax government. Also, the tax would in essence reduce employee compensation or increase government costs.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public employees who must live in government housing.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 115</td>
<td>$ 120</td>
<td>$ 126</td>
<td>$ 132</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 101</td>
<td>$ 105</td>
<td>$ 110</td>
<td>$ 115</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.130(6-7) INDIAN TRUST LANDS

Description: Leasehold interest in Indian lands by any Indian or Indian tribe, if the fee ownership of the property is held in trust by the United States, is exempt from leasehold tax. Leases by non-Indians are exempt when the contract rent paid is greater than or equal to 90 percent of fair market value.

Purpose: Federal law prohibits the taxation of trust lands of enrolled Indians.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Indians and non-Indians with qualifying leases of Indian property.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 7,117</td>
<td>$ 8,499</td>
<td>$ 8,897</td>
<td>$ 9,313</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 6,243</td>
<td>$ 7,456</td>
<td>$ 7,804</td>
<td>$ 8,169</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? The state is prohibited under federal law from taxing tribal members on land held in trust by the federal government. State taxation of nontribal members is not prohibited but could lead to litigation.

82.29A.130(8-9) LEASES LESS THAN $250 PER YEAR OR 30 DAYS

Description: Leases of public property are exempt from leasehold tax if the total annual rent is less than $250 or if the lease period does not exceed 30 consecutive days in duration.

Purpose: The $250 annual threshold supports small businesses and provides administrative convenience for both lessees and lessors. The 30 day threshold can apply to both small and large lessees. It encourages short-term events, such as sporting events and trade shows, to take place in Washington.

Category/Year Enacted: Other business. 1976

Primary Beneficiaries: Qualifying lessees.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,310</td>
<td>$ 1,377</td>
<td>$ 1,447</td>
<td>$ 1,521</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,149</td>
<td>$ 1,208</td>
<td>$ 1,269</td>
<td>$ 1,334</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.130(10)  HOMES PENDING DESTRUCTION

Description: Month-to-month leases in residential units rented for residential purposes pending destruction or removal to construct a public highway or building are exempt from leasehold tax.

Purpose: When a private residence is either condemned or purchased outright to make way for a public project, this exemption provides tax relief during the transition period.

Category/Year Enacted: Other. 1976

Primary Beneficiaries: Residents of homes awaiting destruction or removal.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 46</td>
<td>$ 48</td>
<td>$ 51</td>
<td>$ 53</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 40</td>
<td>$ 42</td>
<td>$ 44</td>
<td>$ 46</td>
</tr>
</tbody>
</table>

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

82.29A.130(11)  PUBLIC WORKS CONTRACTS

Description: Leasehold interest of public works contractors who use public property while completing public works projects for the State or the federal government is not subject to leasehold excise tax.

Purpose: To minimize the cost to government of public works construction projects.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public works contractors and the government entities with whom they contract.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 39</td>
<td>$ 41</td>
<td>$ 43</td>
<td>$ 45</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 34</td>
<td>$ 36</td>
<td>$ 37</td>
<td>$ 39</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly.
82.29A.130(13) CAMPS FOR DISABLED PERSONS

**Description:** Nonprofit, social service organizations that provide organized and supervised recreational activities for disabled persons of all ages in a camp facility and for public recreational purposes are exempt from leasehold tax.

**Purpose:** To support the activities of qualifying nonprofit organizations.

**Category/Year Enacted:** Nonprofit - health or social welfare. 1995

**Primary Beneficiaries:** There are five known organizations that operate a camp for disabled persons on leased public property.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 257</td>
<td>$ 273</td>
<td>$ 291</td>
<td>$ 310</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 225</td>
<td>$ 240</td>
<td>$ 256</td>
<td>$ 272</td>
</tr>
</tbody>
</table>

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

82.29A.130(14) PROFESSIONAL BASEBALL STADIUM

**Description:** Leasehold tax exemption is allowed for all interests in the public or entertainment areas of a professional baseball stadium located in Seattle. The facility must have natural turf, a retractable roof, seating capacity of at least 40,000, be located in King County, and have been completed after January 1, 1995, to be eligible for the exemption. The exemption does not extend to nonpublic areas of the stadium such as locker rooms and private offices used exclusively by the lessee.

**Purpose:** To encourage construction and operation of Safeco Field.

**Category/Year Enacted:** Business incentive. 1995

**Primary Beneficiaries:** The Seattle Mariners.

**Possible Program Inconsistency:** Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and therefore leasehold tax does not apply.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 55</td>
<td>$ 56</td>
<td>$ 57</td>
<td>$ 58</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 48</td>
<td>$ 49</td>
<td>$ 50</td>
<td>$ 51</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.130(15)  PROFESSIONAL FOOTBALL STADIUM

Description: Leasehold tax exemption is provided for all interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer which was constructed after January 1, 1998. The exemption also applies to an exhibition center and associated parking facilities adjacent to the stadium. The exemption does not extend to nonpublic areas of the stadium, such as locker rooms and private offices used exclusively by the lessee.

Purpose: To encourage construction and operation of Century Link Field & Exhibition Center.

Category/Year Enacted: Business incentive.  1997

Primary Beneficiaries: Seattle Seahawks and Seattle Sounders.

Possible Program Inconsistency: Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 72</td>
<td>$ 74</td>
<td>$ 75</td>
<td>$ 77</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 63</td>
<td>$ 65</td>
<td>$ 66</td>
<td>$ 68</td>
</tr>
</tbody>
</table>

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

82.29A.130(16)  PUBLIC FACILITIES DISTRICTS

Description: Leasehold tax does not apply to interests in property owned by public facilities districts. Facilities covered by the exemption include sports facilities, entertainment venues, conference and convention centers and special events facilities.

Purpose: To encourage construction and utilization of these public facilities.

Category/Year Enacted: Business incentive.  1999

Primary Beneficiaries: Public facility districts and persons who lease these facilities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,123</td>
<td>$ 1,161</td>
<td>$ 1,201</td>
<td>$ 1,243</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 985</td>
<td>$ 1,019</td>
<td>$ 1,054</td>
<td>$ 1,090</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
TAXES IN LIEU OF PROPERTY TAX – LEASEHOLD EXCISE TAX

82.29A.130(17)  HISTORIC PROPERTY

Description: Exemption from leasehold excise tax is provided for interests in property that is owned by a municipality or the federal government, if it is listed on a federal or state historical register and is located within a designated national historic reserve.

Purpose: To support the social benefits provided by publicly owned historical sites.


Primary Beneficiaries: Lessees of historical property within national historic reserves.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 33</td>
<td>$ 23</td>
<td>$ 23</td>
<td>$ 24</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 29</td>
<td>$ 20</td>
<td>$ 20</td>
<td>$ 21</td>
</tr>
</tbody>
</table>

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

82.29A.130(18)  CLARK COUNTY AMPHITHEATER

Description: Exemption from leasehold excise tax is allowed for interests in the public or entertainment areas of an amphitheater with seating capacity of at least 17,000 which is located in a county with a population between 350,000 and 425,000 (at the time it opened). The exemption does not extend to private offices used predominately by the lessee.

Purpose: To encourage construction, maintenance and operation of an amphitheater in Clark County.


Primary Beneficiaries: Lessees of the amphitheater.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 24</td>
<td>$ 27</td>
<td>$ 27</td>
<td>$ 27</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 21</td>
<td>$ 24</td>
<td>$ 24</td>
<td>$ 24</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.130(19) MILITARY HOUSING

Description: Exemption from property tax and leasehold excise tax is provided for certain military housing units and ancillary supporting facilities. The housing must be located on land owned in fee by the federal government, be used for housing military personnel and their families, and be provided by a development project under the federal Military Housing Privatization Initiative of 1996.

Purpose: To support military housing.

Category/Year Enacted: Other. 2008

Primary Beneficiaries: Companies that own military housing on federal land and their renters.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 245</td>
<td>$ 264</td>
<td>$ 269</td>
<td>$ 274</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 215</td>
<td>$ 231</td>
<td>$ 236</td>
<td>$ 241</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, the Department would have to bill individual renters for the leasehold tax which could be difficult in the changing military environment.

82.29A.135 MANUFACTURING ALTERNATIVE FUELS

Description: Leasehold interests in real and personal property used primarily for manufacturing alcohol fuel, biodiesel fuel, biodiesel feedstock, wood biomass fuel and the operation of an anaerobic digester are exempt from leasehold tax. Firms may apply for the exemption if they are operational before the end of 2015; applications for anaerobic digesters must be filed by the end of 2012. The exemption is available for six years after the facility is operational.

Purpose: To encourage the production of alcohol for use in gasohol fuel and reduce the reliance on petroleum-based fuel.


Primary Beneficiaries: There are currently no facilities that qualify for this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) None currently.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.29A.136  RESIDENTIAL/RECREATIONAL DEVELOPMENTS

Description: Leasehold interests comprised of three thousand or more residential and recreational lots which are or may be subleased for residential or recreational purposes are exempt from leasehold excise tax and subject instead to property taxes.

Purpose: To treat these lots in a similar manner to other housing and recreational properties. Lessees avoid a processing fee and the properties are governed by the various limits on property tax levies.

Category/Year Enacted: Tax base. 2001

Primary Beneficiaries: Lessees of lots at Lake Cushman which are owned by the City of Tacoma.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)

<table>
<thead>
<tr>
<th>Year</th>
<th>State tax</th>
<th>Local taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>$ 119</td>
<td>$ (452)</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$ 136</td>
<td>$ (380)</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$ 152</td>
<td>$ (315)</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$ 167</td>
<td>$ (257)</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but only for the leasehold tax; property taxes would decrease. The lessees are paying more in property tax than they would under leasehold tax.

82.29A.137  FACILITIES FOR PRODUCING SUPER-EFFICIENT AIRPLANES

Description: Leasehold interests held by a manufacturer of a super-efficient airplane in property of a port district are exempt from leasehold excise tax. This exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage locating of a facility for production of a super-efficient airplane in Washington. This exemption addressed the possibility that such a facility might have been located on port property.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Any manufacturer of such an airplane that locates on port district property.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  It is believed that no manufacturer has taken advantage of this exemption because facilities for producing the 787 have not been built on port district property.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, if there had been any impact.
82.29A.138 RADIO REPEATERS

Description: Exemption from leasehold excise tax is provided for owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property. These facilities must be available to public agencies that are qualified responders for use in emergency communications.

Purpose: To encourage emergency communication equipment for amateur radio operators.

Category/Year Enacted: Individuals. 2007

Primary Beneficiaries: Amateur radio operators and amateur radio clubs.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.48.100(1) GOVERNMENT AIRCRAFT

Description: Aircraft owned by and used exclusively in the service of governmental entities are exempt from the state aircraft excise tax. (NOTE: estimate excludes military aircraft.)

Purpose: Reflects the legislative policy of not taxing state/local government property and the constitutional prohibition against taxing the federal government.

Category/Year Enacted: Government. 1949

Primary Beneficiaries: Federal, state (including community colleges) and local governmental entities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 6</td>
<td>$ 6</td>
<td>$ 6</td>
<td>$ 6</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

*Military aircraft are not included in the estimate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No in the case of federal aircraft; yes in the case of state/local aircraft.

82.48.100(2, 3) AIRCRAFT REGISTERED OUTSIDE WASHINGTON

Description: Aircraft owned by Washington residents, but registered in another state or country, are exempt from the aircraft excise tax.

Purpose: Reflects the legislative policy of not taxing property located out of state and the constitutional prohibition against taxing such property.

Category/Year Enacted: Individuals. 1949

Primary Beneficiaries: Washington owners of private aircraft registered in another state or country.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 1</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.
82.48.100(5) AIRCRAFT HELD FOR SALE

Description: Aircraft held for sale, exchange, delivery, etc. or for demonstration purposes solely as stock in trade by a licensed aircraft dealer are exempt from the aircraft excise tax.

Purpose: The exemption treats aircraft held for sale the same as business inventories which are exempt from personal property tax.

Category/Year Enacted: Other business. 1955

Primary Beneficiaries: Aircraft dealers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 8</td>
<td>$ 8</td>
<td>$ 8</td>
<td>$ 8</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

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

82.48.100(6) NONRESIDENT AIRCRAFT

Description: Exemption from aircraft excise tax is allowed for planes owned by nonresidents, which are located at an airport that is jointly owned by governmental entities of Washington and another state.

Purpose: Provides an economic incentive for Idaho residents to base their privately owned airplanes at the Moscow-Pullman airport.

Category/Year Enacted: Individuals. 1999

Primary Beneficiaries: Nonresident owners of airplanes based at the Moscow-Pullman airport.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2</td>
<td>$ 2</td>
<td>$ 2</td>
<td>$ 2</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, however such owners could simply relocate such planes to their home state.
**TAXES IN LIEU OF PROPERTY TAX – VEHICLE EXCISE TAX**

82.48.100(7)  **EMERGENCY MEDICAL AIRCRAFT**

**Description:** Aircraft excise tax exemption is provided for certain emergency medical air transport providers which are organized as a nonprofit corporation.

**Purpose:** To ease the tax burden on nonprofit organization providing emergency air transport services.

**Category/Year Enacted:** Nonprofit – H. 2010.

**Primary Beneficiaries:**

None evident.

**Taxpayer Savings ($000)**  Minimal.

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

82.49.020  **SMALL BOATS**

**Description:** Certain vessels are exempt from the 0.5 percent state watercraft excise tax: military or other boats owned by the federal government; state/local government vessels; boats with less than 10 horsepower motors; boats < 16 feet in length with no motor; all human-powered boats; vessels in the state temporarily for repair; and documented vessels that are primarily engaged in interstate commerce.

**Purpose:** The exemption of commercial vessels is intended to avoid creating an impermissible burden on interstate commerce and to recognize the prohibition against directly taxing the federal government. The exemption of small and human-powered boats is intended to minimize administrative costs.

**Category/Year Enacted:** Individuals. 1983

**Primary Beneficiaries:** Owners of small boats.

None evident.

**Taxpayer Savings ($000)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$2,570</td>
<td>$2,663</td>
<td>$2,764</td>
<td>$2,869</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Estimates reflect only boats under 16 feet in length and human-powered boats.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however administration costs could be high to locate and register small, privately-owned watercraft.
84.33.075 NONPROFIT YOUTH ORGANIZATIONS

Description: Timber harvested on lands owned by a nonprofit, social service organization is exempt from timber tax, if the land is exempt from property tax, if the land is exempt from property tax and the income from the timber sales is used to promote, operate, and maintain youth programs. The exemption is only available if the youth programs are available to all youth, regardless of race, color, national origin, ancestry or religion.

Purpose: To reduce the cost of operating youth programs by nonprofit organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1980

Primary Beneficiaries: A few organizations have utilized the exemption; only one does so consistently. Typically, this involves the removal of damaged or dangerous trees from camp facilities.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

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

84.33.077 CREDIT, PROPERTY TAX ON PUBLIC TIMBER

Description: Standing timber under contract for harvest on nonfederal public lands is subject to personal property tax and the timber excise tax. However, timber on private and federal land is only subject to the timber excise tax. This tax credit allows the harvester to subtract the amount of property tax paid on timber on nonfederal public lands against the timber excise tax due.

Purpose: To lessen the revenue impact on timber dependent counties. A property tax shift to non-timber property and a potential loss of revenue to taxing districts was avoided by maintaining the property tax and allowing the credit against the timber tax.

Category/Year Enacted: Other. 1983

Primary Beneficiaries: Regular purchasers of public timber. Also, local governments and owners of non-timber property who might otherwise experience an increase in property taxes.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) In 2005, the timber tax on harvest on public lands began to be distributed to counties (phase in over 10 years). As a result, this credit is no longer utilized.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No. This credit is no longer utilized.
84.33.0775  CREDIT, SALMON HABITAT

Description: A tax credit is provided against the state portion of the timber excise tax for timber harvested on land that is subject to enhanced aquatic resource requirements, such as riparian zones, steep or unstable slopes, etc. The credit effectively lowers the overall 5.0 percent state tax to 4.2 percent.

Purpose: To help offset the costs to timber owners associated with setting aside larger timber buffers and other forest management practices intended to protect the environment, including salmon habitat.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Timber owners (and the salmon)

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,555</td>
<td>$ 2,555</td>
<td>$ 2,555</td>
<td>$ 2,555</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

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

84.33.086  $50 MINIMUM TIMBER TAX

Description: Any timber harvester incurring less than $50 in timber tax liability per quarter is excused from payment of the timber excise tax.

Purpose: To support smaller harvesters and to reduce administrative costs for harvesters and the Department.

Category/Year Enacted: Other business. 1984, increased from $10 to $50 in 1987.

Primary Beneficiaries: Small timber harvesters, mostly harvesters of timber on private lands.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 1</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
84.33.170  CHRISTMAS TREES AND COTTONWOODS

Description: Christmas trees and short-rotation hardwoods, such as cottonwoods, that are grown by agricultural methods are not subject to timber excise tax. However, when such trees are cultivated on land classified under Chapter 84.34 RCW as timber land, they are subject to timber excise tax.

Purpose: To recognize that these products are considered as being similar to agricultural products, which are not subject to a tax on their harvest value.

Category/Year Enacted: Agriculture. 1971 (Christmas trees) and 1995 (short-rotation hardwoods)

Primary Beneficiaries: Persons who grow Christmas trees and hardwoods.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 65</td>
<td>$ 65</td>
<td>$ 65</td>
<td>$ 65</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 261</td>
<td>$ 261</td>
<td>$ 261</td>
<td>$ 261</td>
</tr>
</tbody>
</table>

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

Description: Exemption from state B&O tax is provided for the Tobacco Settlement Authority. The Authority purchases certain rights under the Master Settlement Agreement and issues revenue bonds to pay outstanding obligations of the state in order to make funds available for health and other programs.

Purpose: To recognize that the Authority is a public instrumentality of the state and is not engaged in conducting an enterprise activity.

Category/Year Enacted: Government. 2002

Primary Beneficiaries: The Authority and indirectly the citizens of the state.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Although the only affected entity is a quasi-govermental agency, the impact of the exemption cannot be disclosed, since there is only one potential taxpayer.

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

82.04.395 PRINTING BY SCHOOLS

Description: School districts and educational service districts are exempt from B&O tax on the value of materials printed in-house, if the materials are exclusively for district use.

Purpose: To support education. There are similar exemptions for printing by local governments and libraries.

Category/Year Enacted: Government. 1979

Primary Beneficiaries: School districts and Educational Service Districts.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 44</td>
<td>$ 44</td>
<td>$ 44</td>
<td>$ 44</td>
</tr>
<tr>
<td>Local taxes</td>
<td>- not considered.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, as long as RCW 82.04.600 was also amended to remove school and Educational Service Districts.
82.04.397   PRINTING BY LOCAL GOVERNMENT

Description: The value of materials printed in-house by cities and counties exclusively for their own use is exempt from B&O tax.

Purpose: To reduce the cost for local government.

Category/Year Enacted: Government. 1979

Primary Beneficiaries: Counties, cities and towns.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 11</td>
<td>$ 11</td>
<td>$ 11</td>
<td>$ 11</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, as long as RCW 82.04.600 was also amended to remove counties, cities and towns.

82.04.408   HOUSING FINANCE COMMISSION

Description: Income that may accrue to the Housing Finance Commission is exempt from B&O tax. This income includes fees generated from bond issues and interest received from reserves used for the operation of the Commission.

Purpose: To support the activities of the Commission as a financial conduit for programs providing affordable housing.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: The Housing Finance Commission.

Possible Program Inconsistency: None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption.

Taxpayer Savings ($000) Although the only affected entity is a governmental agency, the impact of this exemption cannot be publicly stated since there is only one entity affected by the statute.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly.
82.04.415 SAND AND GRAVEL FOR LOCAL ROADS

Description: The cost of labor and services performed in the mining, sorting, crushing, etc. of sand or gravel taken from a pit owned by or leased to a city or county is exempt from B&O tax. The sand or gravel must be either placed on a street of the city or county or sold at cost to another city or county for use on public roads.

Purpose: To reduce the costs to local governments of building and maintaining streets and roads.


Primary Beneficiaries: Cities and counties and the contractors who perform road work for them.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 182</td>
<td>$ 193</td>
<td>$ 204</td>
<td>$ 217</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.418 GRANTS FOR LOCAL GOVERNMENT

Description: A deduction from B&O tax is provided for governmental grants received by municipal corporations and political subdivisions of the state.

Purpose: To avoid taxing the non-enterprise activities of local governments and to support the social welfare services that the grants assist.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: Local jurisdictions.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Amounts related to social welfare grants are included under B&O tax deduction in RCW 82.04.4297. Amounts related to other governmental grants are included under the B&O tax exemption in RCW 82.04.419.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly.
82.04.419  LOCAL GOVERNMENT BUSINESS INCOME

Description: Exemption from B&O tax is provided for local governments, including school and fire districts, with the exception of income from utility or enterprise activities.

Purpose: To reflect the legislative policy of not taxing government activities, except for proprietary activities such as the provision of utility services.

Category/Year Enacted: Government. 1983

Primary Beneficiaries: Local governments.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 20,550</td>
<td>$ 21,880</td>
<td>$ 19,410</td>
<td>$ 20,670</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4263 LIFE SCIENCES DISCOVERY FUND

Description: Income received by the Life Sciences Discovery Fund is exempt from B&O tax.

Purpose: To stimulate research and development in the life sciences.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: The Life Sciences Discovery Fund.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Although the only affected entity is a quasi-governmental agency, the impact of this exemption cannot be publicly stated since there is only one entity affected by the statute.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly.
BUSINESS TAXES – EXEMPTIONS FOR PUBLIC ACTIVITIES

82.04.600 PRINTING BY LIBRARIES

Description: Printing done by libraries is exempt from B&O tax, if the material is printed in library facilities and is used exclusively for library purposes. This statute also includes cities, counties and school districts, but these are covered by other statutes (RCWs 82.04.395 and .397) and therefore only the impact for libraries is shown here.

Purpose: Reflects the legislative policy of not taxing nonproprietary activities of public entities.

Category/Year Enacted: Government. 1979

Primary Beneficiaries: Libraries and library districts.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 6</td>
<td>$ 6</td>
<td>$ 7</td>
<td>$ 7</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.615 PUBLIC DEVELOPMENT AUTHORITIES

Description: Public corporations, commissions and authorities are exempt from state B&O tax for amounts derived from providing services to: (1) limited liability companies in which the public entity is the managing member; (2) limited partnerships in which the public entity is the general partner; or (3) single-asset entities required by a federal, state or local housing assistance program which are directly or indirectly controlled by the public entity.

Purpose: To assist housing authorities that receive federal grants for low-income housing.

Category/Year Enacted: Government. 2007

Primary Beneficiaries: Housing authorities that receive federal grants for low-income housing.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 24</td>
<td>$ 25</td>
<td>$ 26</td>
<td>$ 27</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – EXEMPTIONS FOR BUSINESS ACTIVITIES

48.32.130 INSURANCE GUARANTEE ASSOCIATION

Description: The Washington Insurance Guarantee Association (Association) protects policyholders from insolvent insurers. Insurance companies pay an assessment to the Association to provide funding for payments to any policy holders, whose insurance company is unable to provide compensation under the terms of their policies. This statute stipulates that the Association is exempt from all fees and taxes levied by the state or its political subdivisions, except taxes levied on real or personal property. The estimates shown in this section reflect the exemption from state B&O tax for income derived by the Association.

Purpose: To protect insurance policy holders and reflect the fact that the receipt of assessments from insurance companies by Association does not represent engaging in business.

Category/Year Enacted: Other business. 1971

Primary Beneficiaries: Association and insurance policy holders.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 700</td>
<td>$ 700</td>
<td>$ 600</td>
<td>$ 600</td>
</tr>
<tr>
<td>Local tax - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, if the receipt of these assessments were to be considered as engaging in business by the Association.

82.04.062 PRECIOUS METALS & BULLION

Description: Sales of precious metals and monetized bullion are exempt from B&O tax. However, dealers of such metals and bullion are subject to B&O tax under the service classification on any commissions they receive for buying and selling precious metals on behalf of their customers. (The sales tax portion of the exemption is discussed later in this report.)

Purpose: To provide relief for dealers who were in competition with precious metals dealers in other states where such transactions are often not subject to sales tax, and to recognize the frequency of such purchases over the Internet where the transaction is not subject to tax in this state.

Category/Year Enacted: Other business. 1985

Primary Beneficiaries: Coin and bullion dealers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,356</td>
<td>$ 1,424</td>
<td>$ 1,496</td>
<td>$ 1,570</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, the industry argues that purchases can easily be made via mail order and the Internet and that the tax would drive purchases out of state. Nonetheless, under the Streamlined Sales Tax Agreement, an increasing number of interstate purchases by Washington residents are becoming subject to tax in this state.
82.04.110 ALUMINUM MASTER ALLOYS

Description: Persons who produce aluminum master alloys are considered as processors for hire rather than manufacturers, regardless of the portion of aluminum provided by their customers. As a result, these producers are taxed on the amounts they charge customers for processing. If they were considered to be manufacturers, they would instead be taxed on the total market value of the finished product.

Purpose: To provide tax relief to the aluminum industry.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There are no known firms that utilize this exemption.

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

82.04.120 SEAFOOD PROCESSING

Description: The definition of "to manufacture" for B&O tax purposes excludes cutting, grading or ice glazing of seafood that has been cooked, frozen or canned outside of Washington. As a result, seafood processors who perform these activities on their own seafood are not subject to manufacturing B&O tax. (NOTE: all manufacturing and processing activities relating to seafood are temporarily exempt from B&O tax pursuant to RCW 82.04.4269 through fiscal year 2012. Starting on July 1, 2012 manufacturing of seafood will again be subject to tax at a rate of 0.138 percent.)

Purpose: To encourage these activities and the associated jobs to take place within Washington.

Category/Year Enacted: Business incentive. 1975

Primary Beneficiaries: Fewer than three firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) It is believed that fewer than three firms benefit from this exemption; thus the impact cannot be disclosed publicly.

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

Description: The definition of "to manufacture" for B&O tax purposes excludes conditioning of seed for use in planting. The term "seed" may be applied to a wide variety of plant products and includes those intended for home use as well as agricultural applications. Persons who condition seed for others or for resale to farmers are also exempt from B&O tax per RCW 82.04.331.

Purpose: To encourage such businesses to locate in Washington.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Firms that prepare and distribute seed.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 582</td>
<td>$ 588</td>
<td>$ 594</td>
<td>$ 600</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.120 HAY CUBING

Description: The definition of "to manufacture" for B&O tax purposes excludes the activity of cubing hay or alfalfa (i.e., compacting hay into small "cubes" to facilitate shipping, principally to foreign markets). As a result, farmers who cube these items for sale at wholesale are not subject to B&O tax on this income. Persons who cube hay/alfalfa for others are taxed under the service classification if the activity takes place on the grower's land and under wholesaling when the activity is performed elsewhere.

Purpose: To improve the competitive position of Washington firms that cube hay for export.

Category/Year Enacted: Agriculture. 1997

Primary Beneficiaries: Approximately five firms engaged in this activity.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 368</td>
<td>$ 368</td>
<td>$ 368</td>
<td>$ 368</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Description: The definition of “to manufacture” for B&O tax purposes excludes packing of agricultural products, including sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in controlled atmospheric storage.

Purpose: To clarify that these activities do not constitute manufacturing and that firms which pack agricultural products are not eligible for manufacturing tax incentive programs.

Category/Year Enacted: Agriculture. 1999

Primary Beneficiaries: Firms that pack agricultural products.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  The revenue impact is included under the B&O tax deduction in RCW 82.04.4287.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? See RCW 82.04.4287.

82.04.120 COMPUTER SOFTWARE AND DIGITAL GOODS

Description: This portion of RCW 82.04.120 is a clarification intended to reduce confusion and complications concerning tax liability of the production of computer software and digital goods. Sales and/or deliver of these items that are transacted electronically are subject to B&O tax as retailing, wholesaling or royalties, depending upon the nature of the transaction. These products may also be subject to retail sales/use tax when sold to a final user.

Purpose: To clarify the tax liability of all software and digital goods and to treat these items, whether or not they are delivered electronically, as well as other electronically transacted products, in a consistent manner.


Primary Beneficiaries: Firms that produce computer software and digital goods.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  There are no tax savings associated with this definitional clarification.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? There are no taxpayer savings.
82.04.2403  FISH CLEANING

Description: B&O tax exemption is provided for the cleaning of fresh-water fish. Cleaning is defined as the removal of the head, fins, or viscera from the fish without further processing.

Purpose: To support the fresh-water fishing industry.

Category/Year Enacted: Business incentive. 1994

Primary Beneficiaries: A very small number of firms benefit from this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  FY 2012  FY 2013  FY 2014  FY 2015  
State tax  $ 13  $ 13  $ 13  $ 13  
Local taxes - not considered.

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

82.04.255  SHARED REAL ESTATE COMMISSIONS

Description: Real estate brokerage offices pay B&O tax only on their share of commissions when multiple brokerage offices participate in a transaction, even if one firm is located outside the state. Individual associate brokers and salespersons are not subject to B&O tax where the brokerage office has paid tax on the gross commission. Charges to associate brokers to recover expenses or for use of facilities are not included within this exemption and represent taxable income to the broker.

Purpose: To eliminate pyramiding of B&O tax on shared commissions.


Primary Beneficiaries: Real estate brokers and agents.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  FY 2012  FY 2013  FY 2014  FY 2015  
State tax  $23,390 $23,930 $24,480 $25,040  
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although some associates would likely be reclassified as employees to avoid the tax.
82.04.310(1) PUBLIC UTILITIES

Description: Business activity that is subject to the state public utility tax is exempt from B&O tax. The public utility tax is imposed on income from certain public service businesses, such as light and power, water distribution, and air, water and motor transportation.

Purpose: To guarantee that income subject to the public utility tax is not also subject to the B&O tax, because the utility tax is in lieu of B&O tax. However, public service businesses are taxable under the B&O tax for income derived from activities that are not subject to utility tax, e.g. retail sales of tangible personal property.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Private and municipal utilities and transportation providers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 54,300</td>
<td>$ 56,700</td>
<td>$ 59,500</td>
<td>$ 62,500</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming that both taxes were applied to the income of utility companies.

82.04.310(2) SALES OF ELECTRICITY FOR RESALE

Description: B&O tax does not apply to amounts received by any person for the sale of electrical energy that is purchased for resale within or outside of the state.

Purpose: Neither the public utility nor the B&O tax previously allowed a deduction for the sale of electricity by a light and power business to a non-light and power business, if the energy is for resale, regardless of whether that resale will be back to a light and power business or to an end-user. These types of transactions were not contemplated at the time the public utility tax statutes were originally written. This exemption assures that the electricity is subject to tax only once by the original producer.

Category/Year Enacted: Tax base. 2000

Primary Beneficiaries: Businesses engaging in sales or trade agreements with respect to electricity.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 31,353</td>
<td>$ 32,921</td>
<td>$ 28,691</td>
<td>$ 30,126</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.310(3)  SALES OF SURPLUS NATURAL GAS

Description:  B&O tax does not apply to natural gas which was originally purchased by a consumer but is resold to a provider of natural gas. Large industrial users of natural gas have difficulty projecting the amount of gas they need for their operations. This exemption addresses the situation when they have to resell gas that they are not able to use without incurring B&O tax liability.

Purpose:  Provides consistency with other B&O tax exemptions for utility sales.

Category/Year Enacted:  Tax base.  2007

Primary Beneficiaries:  Businesses engaging in sales or trade agreements with respect to electricity.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  Revenue impact is considered to be minimal.

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

82.04.310(4)  PUBLIC UTILITY RECEIPTS FROM BPA

Description:  B&O tax exemption is provided for amounts received in the form of credits against power contracts with the Bonneville Power Administration (BPA) or funds provided by the BPA for the purpose of implementing energy conservation programs. The credit expires for funds received after June 30, 2015.

Purpose:  To encourage energy conservation.

Category/Year Enacted:  Business incentive.  2010

Primary Beneficiaries:  Washington electric utility companies.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 340</td>
<td>$ 357</td>
<td>$ 313</td>
<td>$ 328</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

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

**Description:** B&O tax exemption is provided for the income of international banking facilities (IBF) located in Washington. An IBF means a branch or agency of a foreign bank, a set of segregated accounts for international banking maintained by a commercial bank with its principal office located in this state, or an Edge corporation or qualifying agreement corporation under section 25 of the Federal Reserve Act.

**Purpose:** To encourage international trade transactions through Washington financial institutions.

**Category/Year Enacted:** Business incentive. 1982

**Primary Beneficiaries:** Banks headquartered in this state providing international banking services.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$13,060</td>
<td>$14,560</td>
<td>$13,880</td>
<td>$16,110</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

---

82.04.317 WHOLESALE AUTO AUCTIONS

82.04.422(1)

**Description:** Sales of motor vehicles by motor vehicle manufacturers, their financial subsidiaries (at least 50 percent owned by the manufacturer), and vehicle dealers are exempt from wholesaling B&O tax, if the sales take place at a wholesale auto auction and the purchaser is a vehicle dealer.

**Purpose:** To encourage out-of-state auto manufacturers to sell their rental and lease return vehicles and other surplus vehicles at wholesale auctions conducted in this state.

**Category/Year Enacted:** Other business. 1997 and 2001

**Primary Beneficiaries:** Auto manufacturers, vehicle dealers and firms that conduct wholesale auto auctions.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,018</td>
<td>$1,171</td>
<td>$1,348</td>
<td>$1,552</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – EXEMPTIONS FOR BUSINESS ACTIVITIES

82.04.320 INSURANCE PREMIUMS

Description: Income that is subject to the state insurance premiums tax is exempt from B&O tax.

Purpose: To avoid subjecting insurance premiums to more than one state business tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Insurance companies and ultimately policy holders.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$463,000</td>
<td>$472,000</td>
<td>$401,000</td>
<td>$409,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, as long as RCW 48.14.080 is also amended to allow B&O taxation of premium income.

82.04.322 HEALTH MAINTENANCE ORGANIZATIONS

Description: Health maintenance organizations, health care service contractors and certified health plans are exempt from B&O tax on income that is subject to the state insurance premiums tax.

Purpose: To avoid subjecting insurance premiums to more than one state business tax.

Category/Year Enacted: Tax base. 1993

Primary Beneficiaries: HMOs, HCSCs and CHPs and their members.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$196,000</td>
<td>$198,000</td>
<td>$167,000</td>
<td>$169,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming that RCW 48.14.080 were also amended to allow B&O taxation of premium income.
82.04.330  AGRICULTURAL PRODUCERS
82.04.410

Description: B&O tax exemption is provided for farmers who grow, raise, or produce agricultural products for sale at wholesale. Agricultural products are defined in RCW 82.04.213 to include any product of plant cultivation or animal husbandry, plantation Christmas trees, animals, birds, insects and fish, as well as the products obtained from animals, such as eggs, milk and honey. RCW 82.04.410 specifically exempts hatching eggs and poultry used in production of poultry products.

Purpose: To aid an industry that was severely depressed in 1935 when the exemption was enacted. The exemption recognizes the low profit margins and high transportation costs faced by most farmers. Furthermore, farmers in Washington have little ability to affect the prices for their products which are determined by national markets, and thus they cannot pass on the tax to their customers.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Approximately 30,000 producers of agricultural products. However, only about 10,000 - 12,000 of these would have taxable income in excess of the small business tax credit.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)     FY 2012     FY 2013     FY 2014     FY 2015
State tax                  $ 32,610    $ 36,960    $ 38,040    $ 39,130
Local tax - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although registration of many small and part-time farming operations would be required.

82.04.330  CHRISTMAS TREE PRODUCERS
82.04.100

Description: Income associated with extraction and wholesaling of plantation Christmas trees is exempt from B&O tax. Only Christmas trees grown by agricultural methods qualify for the exemption.

Purpose: To recognize that production of Christmas trees is similar to other agricultural production.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Christmas tree farmers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)     FY 2012     FY 2013     FY 2014     FY 2015
State tax                  $  195      $  195      $  205      $  226
Local taxes - not considered.

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

**Description:** B&O tax exemption is provided for persons making wholesale sales to farmers of seed that is conditioned for use in planting. The exemption is also provided for conditioning of seed that is owned by other persons. The exemption does not apply to seed packaged for retail sale, flower or vegetable seeds, or seeds or portions of plants used to grow ornamental flowers, shrubs, trees, ferns or mosses.

**Purpose:** To assist firms providing seed for use in commercial agriculture.

**Category/Year Enacted:** Agriculture. 1998

**Primary Beneficiaries:** The seed conditioning industry.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 566</td>
<td>$ 571</td>
<td>$ 577</td>
<td>$ 583</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.332 WHOLESALING OF GRAIN

**Description:** Wholesale sales of unprocessed milk and various types of grain and other agricultural products, including wheat, oats, barley, dry peas, dry beans, lentils and triticale, are exempt from B&O tax. The exemption does not extend to wholesale sales of products manufactured from these products. Farmers who produce and sell such items at wholesale are already exempt under RCW 82.04.330; this exemption covers subsequent wholesale sales.

**Purpose:** To assist agriculture.

**Category/Year Enacted:** Agriculture. 1998. Previously, this activity was subject to a very low B&O tax rate. As part of a consolidation of tax rates, this category was entirely exempted in 1998. Unprocessed milk was added in 2007.

**Primary Beneficiaries:** Agricultural businesses.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax*</td>
<td>$ 5,200</td>
<td>$ 5,200</td>
<td>$ 5,200</td>
<td>$ 5,200</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
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</tbody>
</table>

*Estimate based on the existing wholesaling tax rate of 0.484%.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.334  EXCLUSION OF STANDING TIMBER

Description:  Sales of standing timber where the harvesting is required within 30 months by the contract of sale were transferred from the real estate excise tax (REET) to the B&O tax in 2007. Timber slated for harvesting within 30 months was exempt from REET, so this statute continues the same treatment.

Purpose:  To continue the exemption previously provided under the REET.

Category/Year Enacted:  Other business.  2007

Primary Beneficiaries:  Integrated wood products companies and real estate investment trusts.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  The extent of this exclusion is not known.

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

82.04.335  AGRICULTURAL FAIRS

Description:  Nonprofit organizations that conduct agricultural fairs are exempt from B&O tax. The exemption applies only during the time the fair is actually open to the public and does not include income from admissions to specific exhibits, entertainment or other business activities conducted with the fairgrounds by third party concessionaires.

Purpose:  To support agricultural fairs.

Category/Year Enacted:  Agriculture.  1965

Primary Beneficiaries:  Currently, there are 67 county or community fairs or youth livestock shows.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 776</td>
<td>$ 784</td>
<td>$ 671</td>
<td>$ 677</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Description: B&O tax exemption is allowed for the sale of hops that are processed into extract, pellets or powder in this state and then shipped outside the state for first use. Income received for other types of processing or warehousing of hops is not exempt from the tax.

Purpose: To recognize that processing of hops into extract, pellets or powder is merely to facilitate shipment of the product and does not constitute a manufacturing activity.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Hop growers and approximately eight processing firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 800</td>
<td>$ 800</td>
<td>$ 800</td>
<td>$ 800</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.340 BOXING & WRESTLING MATCHES

Description: Persons who conduct boxing, kickboxing, martial arts or wrestling matches for which licensing by the Department of Licensing is required are exempt from B&O tax on income derived from such events.

Purpose: To recognize that this income is subject to the 5.0 percent boxing and wrestling tax in RCW 67.08.105.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Promoters of these events.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 87</td>
<td>$ 88</td>
<td>$ 87</td>
<td>$ 86</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however this is unlikely, since the income is already subject to a higher gross receipts tax.
82.04.350 HORSE RACING

Description: Persons who conduct horse racing events that are licensed by the State Horse Racing Commission are exempt from B&O tax, except for the special surtax attributable to RCW 82.04.286(1). The surtax, enacted in 2005, applies an additional B&O tax of 0.13 percent to the income derived from pari-mutuel wagering and other games of chance.

Purpose: To exempt income that is taxable under the pari-mutuel tax (RCW 67.16.105).

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Horse racing tracks. Emerald Downs is the only track currently in operation.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,500</td>
<td>$ 1,580</td>
<td>$ 1,600</td>
<td>$ 1,740</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although the income is also subject to pari-mutuel tax. Although pari-mutuel wagering receipts are subject to both pari-mutuel tax and the 0.13 percent B&O surtax, they are not subject to the regular B&O tax under the service classification.

82.04.360 INCOME OF EMPLOYEES

Description: Income derived by employees from the performance of services in the capacity of an employee or servant is exempt from B&O tax. Life insurance “statutory employees” are addressed in the following section.

Purpose: The B&O tax applies to the privilege of engaging in business. Employees do not generally exercise the same degree of full and independent responsibility as do owners of a firm. Therefore, employees are not considered as engaging in business. Further, in the absence of this exemption, a gross receipts tax applied to wages and salaries might be considered as a personal income tax which, under prevailing rulings of the State Supreme Court, is not permissible without a constitutional amendment.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Employees

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,434,900</td>
<td>$1,514,700</td>
<td>$1,442,900</td>
<td>$1,486,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, repeal of this exemption would likely result in litigation.
82.04.360 LIFE INSURANCE EMPLOYEES

Description: Persons who meet the Internal Revenue Code definition of "statutory employee" are considered employees for purposes of B&O tax liability and thus are exempt. Statutory employees are independent contractors for federal income tax purposes but receive W-2s and have Social Security taxes withheld. A statutory employee must sell life insurance on a full-time basis and work primarily for one company.

Purpose: To establish a distinction between employees, whose wages are not subject to B&O tax, and independent contractors who are subject to the tax.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: Approximately 3,900 sellers of life insurance.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 745</td>
<td>$ 763</td>
<td>$ 781</td>
<td>$ 800</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although there could be compliance difficulties in locating these persons.

82.04.392 INCOME FROM TRUST ACCOUNTS

Description: B&O tax exemption is provided for amounts received by mortgage brokers from trust accounts for third-party costs. The trust account must be operated in accordance with RCW 19.146.050 and any rules adopted by the Department of Financial Institutions.

Purpose: To treat these items like a tax-exempt pass-through, rather than as income to the institutions.

Category/Year Enacted: Other business. 1997

Primary Beneficiaries: Mortgage brokers receiving payments through trust accounts.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 561</td>
<td>$ 686</td>
<td>$ 643</td>
<td>$ 712</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.405  STATE-CHARTERED CREDIT UNIONS

Description: Credit unions organized pursuant to state law are exempt from B&O tax.

Purpose: To provide comparable tax treatment with federally-chartered credit unions.

Category/Year Enacted: Other business. 1970

Primary Beneficiaries: Approximately 70 state-chartered credit unions.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 30,000</td>
<td>$ 30,000</td>
<td>$ 26,000</td>
<td>$ 26,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly; state-chartered credit unions could simply apply for federal charters. However, there are benefits to being organized as a state-chartered credit union which might exceed the potential B&O tax liability.

82.04.416  2nd NARROWS BRIDGE

Description: Income derived from the operation of state route #16 corridor transportation systems and facilities which are constructed and operated under Chapter 47.46 RCW is exempt from B&O tax. This statute addressed the second bridge across the Tacoma Narrows. It exempts any income received by an operator of the bridge tolling systems. The state contracts with a private firm to operate the toll booths. The income the state pays to the firm is exempt from B&O tax under this statute. (The actual toll receipts are considered as state funds and are not subject to state business tax.)

Purpose: To lower the overall cost of operation of the bridge and encourage a private firm to enter into a contract with the state to operate the facility.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: Businesses that contract with the state to operate the bridge toll facilities and ultimately the drivers who utilize the facility.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There is only one operator of the toll booths on this bridge and therefore the amount of B&O tax attributable to this exemption cannot be publicly stated.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.422(2) ACCOMMODATION SALES OF AUTOS

Description: Exemption from wholesaling B&O tax is provided for dealers of motor vehicles for new vehicles sold at wholesale to other dealers who, in turn, make sales of the same make of vehicle.

Purpose: To recognize that these sales are for the convenience of dealers to enable them to meet customer demand and do not represent profit for the seller.


Primary Beneficiaries: Dealers of new motor vehicles.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,254</td>
<td>$ 1,444</td>
<td>$ 1,662</td>
<td>$ 1,913</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.424 SELLERS WITH LIMITED CONNECTION TO WASHINGTON

Description: Sellers with a limited connection to this state are exempt from the B&O tax. Such sellers are defined as persons whose activities in Washington, whether conducted directly or through another person, are limited to the storage, dissemination, or display of advertising, taking of orders, or processing of payments. In addition, the seller’s activities must be conducted electronically via a website on a server or other computer equipment located in Washington that is not owned or operated by the person making the sales into this state or by an affiliated person.

Purpose: The intent is to exempt from B&O tax certain sellers with very limited connections to Washington.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: Sellers of products with a limited connection to this state.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$  778</td>
<td>$  855</td>
<td>$  915</td>
<td>$  979</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but the activity could be easily moved out of state.
82.04.425  ACCOMMODATION SALES

Description: B&O tax does not apply to wholesale sales between businesses regularly selling the same type of property, provided the sale is at cost and the buyer has an existing order for the product from a customer. The exemption also applies if the sale occurs within 14 days as a reimbursement in-kind for a previous accommodation sale. Additionally, if a wholly-owned subsidiary sells goods to its parent company, and the parent sells the goods in a transaction that is exempt by reason of RCW 82.08.0262, and the parent pays B&O tax, then the sale by the subsidiary to the parent is exempt from B&O tax.

Purpose: To exempt wholesale sales made between businesses solely for the purpose of adjusting inventories in order to satisfy customer demand.

Category/Year Enacted: Tax base. 1955

Primary Beneficiaries: Firms that make accommodation sales to other firms and corporations with wholly-owned subsidiaries who both manufacture and sell transportation equipment.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$131</td>
<td>$169</td>
<td>$184</td>
<td>$201</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although it is unlikely that firms would make accommodation sales to other sellers if they were required to pay B&O tax on such sales.

82.04.426  MANUFACTURING OF SEMICONDUCTOR MICROCHIPS

Description: Firms that manufacture semiconductor microchips are exempt from B&O tax for nine years. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings/equipment amounting to at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective; it will expire nine years after the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to the state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) None to date.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4261  FEDERAL SMALL BUSINESS INNOVATION GRANTS

Description: Exemption from B&O tax is allowed for grants received from the federal government via the Small Business Innovation Research program.

Purpose: To encourage technological research by small businesses.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Approximately 38 grantees annually.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 391</td>
<td>$ 408</td>
<td>$ 413</td>
<td>$ 419</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; however, this activity would likely also be covered by the high technology B&O tax credit.

82.04.4262  FEDERAL SMALL BUSINESS TECHNOLOGY TRANSFER GRANTS

Description: Grants received from the federal government under the small business technology transfer program are exempt from B&O tax.

Purpose: To encourage small businesses and development of new technologies.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: About seven grantees per year.

Possible Program Inconsistency: Possible “double-dipping” in conjunction with the high technology B&O tax credit.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 39</td>
<td>$ 39</td>
<td>$ 40</td>
<td>$ 40</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4266 MANUFACTURING/PROCESSING FRUIT & VEGETABLES

Description: B&O tax exemption was established in 2005 for firms that manufacture or process fresh fruits or vegetables. Eligible activities include canning, preserving, freezing, processing or dehydrating of these agricultural products. The exemption also applies to firms that conduct these activities but sell the products to buyers who transport the products outside the state. The exemption is scheduled to expire on July 1, 2012, at which time these activities will again become taxable under the 0.138 percent rate classification.

Purpose: To assist agriculture.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: In 2006 there were 40 firms that reported they utilized this exemption.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,146</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly to some extent, however it is too late to repeal the exemption and realize the full revenue impact for Fiscal Year 2012.

82.04.4267 PARKING & BUSINESS IMPROVEMENT AREAS

Description: Amounts received by a chamber of commerce or similar organization for operation of a parking and business improvement area pursuant to RCW 35.87A.110 are exempt from state B&O tax.

Purpose: To assist local governments in providing infrastructure in business development areas.

Category/Year Enacted: Other business. 2005

Primary Beneficiaries: Local governments with business improvements areas.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 113</td>
<td>$ 118</td>
<td>$ 102</td>
<td>$ 107</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4268 MANUFACTURING/WHOLESALING OF DAIRY PRODUCTS

Description: Exemption from B&O tax is provided for manufacturers of dairy products, as well as wholesalers of such products that are shipped out of state. Eligible products include byproducts from manufacturing of dairy products, such as whey and casein. This exemption is scheduled to expire on July 1, 2012 at which time this activity will become taxable under the 0.138 percent rate classification.

Purpose: To encourage the production of milk and dairy products.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approximately 10 dairies.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3,000</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly to some extent, however it is too late to repeal the exemption and realize the full revenue impact for Fiscal Year 2012.

82.04.4269 PROCESSING OF SEAFOOD PRODUCTS

Description: B&O tax exemption is provided for manufacturers of seafood products that remain in a raw, raw frozen, or raw salted state, when the manufacturing process is completed. This exemption will expire on July 1, 2012 at which time seafood products manufacturing will again become taxable under the 0.138 percent rate classification.

Purpose: To support the seafood processing industry.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Seafood processors.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,200</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly to some extent, however it is too late to repeal the exemption and realize the full revenue impact for Fiscal Year 2012.
82.04.601 DISCOUNTS FOR STAMPING OF CIGARETTES

Description: B&O tax does not apply to reimbursement that wholesalers receive from the state when they affix tax stamps on packages of cigarettes. Historically, cigarette wholesalers did not pay tax on such reimbursement, but the law did not specifically exempt such income.

Purpose: To codify pre-existing practices.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Approx. 50 cigarette wholesalers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.610 INTERSTATE COMMERCE – IMPORT & EXPORT SHIPMENTS

Description: B&O tax exemption provided for the sale of tangible personal property in import or export commerce. The import exemption does not extend to items which (1) are actually used in any state or territory of the U.S.; (2) to items which are resold by the importer in any state or territory of the U.S.; or (3) to items which are processed, handled or stopped in the process of transit for a business purpose, other than a stoppage related to shipping needs. The export exemption applies to items which the seller delivers (1) to a buyer in a foreign country; (2) to a carrier consigned to transport the item to a foreign country; (3) to the buyer at shipside if it is clear that the export process has commenced, or (4) to a buyer in this state if the seller files an export declaration and the buyer immediately transports the item - except motor vehicles - to a foreign country.

Purpose: To codify the Department’s interpretation of imports and exports, as previously reflected in Washington Administrative Code 458-20-193C.

Category/Year Enacted: Commerce. 2007

Primary Beneficiaries: Firms that ship products across Washington’s boundaries.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$127,460</td>
<td>$131,280</td>
<td>$135,220</td>
<td>$139,270</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, repeal of this statute – and WAC 458-20-193C – would likely result in litigation.
82.04.625  CUSTOM FARM AND FARM MANAGEMENT SERVICES

Description: Exemption from B&O tax is provided for custom farming services and farm management services, in situations where the person providing the services is related to the owner or lessor of the land.

Purpose: To provide tax relief to persons that provide custom farm services for their relatives.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons that provide custom farm services for their relatives.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.629  HONEY BEE PRODUCTS

Description: Exemption from B&O tax is provided for the wholesale of honey bee products by eligible apiarists. The exemption is scheduled to expire on July 1, 2013.

Purpose: To provide tax relief to apiarists that sell honey bee products at wholesale.

Category/Year Enacted: Agriculture. 2008

Primary Beneficiaries: Persons that sell products derived from honey bees.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4</td>
<td>$ 4</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.630   POLLINATION SERVICES BY APIARISTS

Description: Exemption from B&O tax is provided for income received by an eligible apiarist for providing bee pollination services to qualified farmers. The apiarist must provide the pollination services by the use of bee colonies that the apiarist owns or maintains. The exemption is scheduled to expire on July 1, 2013.

Purpose: To provide tax relief to apiarists.

Category/Year Enacted: Agriculture. 2008

Primary Beneficiaries: Persons that provide pollination services.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) 

<table>
<thead>
<tr>
<th>State tax</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 8</td>
<td>$ 8</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

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

82.04.645   FINANCIAL INSTITUTION RECEIPTS FROM AFFILIATES

Description: B&O tax does not apply to receipts of financial institutions from their affiliates, if those receipts result from arm’s-length transactions required by Sections 23A or 23B of the Federal Reserve Act.

Purpose: To clarify the Department’s interpretation of tax law.

Category/Year Enacted: Other business. 2010

Primary Beneficiaries: Financial institutions.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) 

Because this statute merely codifies the Department’s understanding of the requirements of the law, there are no identified taxpayer savings.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.
82.04.650 INVESTMENT CONDUITS & SECURITIZATION ENTITIES

Description: B&O tax exemption is provided for financial institutions engaged in packaging loans and offering them for sale. The exemption applies to amounts received by an investment conduit or a securitization entity during the process of loan securitization. Such entities must be created by a financial institution or bank holding company for the purpose of holding cash or securities. Among the various requirements, such entities must: (1) have no employees; (2) have no profit-making motive; (3) and own no tangible assets other than the cash, securities, or discrete pools of credit or charge card receivables.

Purpose: To avoid taxing the same revenue stream more than one time by making it clear that the activities of investment conduits and securitization entities are not subject to B&O tax.

Category/Year Enacted: Other business. 2010

Primary Beneficiaries: Financial institutions engaged in securitizing loans.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $2,289 $2,289 $1,907 $1,907
Local taxes - not considered.

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

82.04.750 MEALS PROVIDED TO RESTAURANT EMPLOYEES

Description: Meals provided to employees of restaurants without specific charge to the employees are exempt from B&O tax.

Purpose: To allow restaurant owners to provide meals to their employees without charge and without having to report B&O tax on the equivalent amount of income.

Category/Year Enacted: Other business. 2011.

Primary Beneficiaries: Employees and owners of restaurants.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $160 $187 $194 $201
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.32.045(4) MINIMUM TO FILE EXCISE TAX RETURNS

Description: Firms whose gross income is less than $28,000 annually ($46,667 for service firms) are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax.

Purpose: To reduce administrative costs for taxpayers and the Department of Revenue.

Category/Year Enacted: Other business. 1996.

Primary Beneficiaries: Small businesses.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) This statute has no revenue impact because in its absence, beneficiaries would have to file returns but still would have no B&O tax liability due to the small business credit.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No, as long as the small business tax credit remained in place.

82.32.055 WAIVER OF EXCISE TAX PENALTIES FOR MILITARY OWNERS

Description: Penalties and interest relating to excise tax obligations may be waived, if the owner of the business is on active duty in the military service and is serving in an armed conflict.

Purpose: To provide economic relief to families of active service members who also have a business in Washington.

Category/Year Enacted: Other business. 2008.

Primary Beneficiaries: Active duty military personnel who own a business.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Fewer than three taxpayers have taken this waiver, and therefore the amount of the penalties/interest waived cannot be disclosed.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – EXEMPTIONS FOR NONPROFIT ACTIVITIES

82.04.324 BLOOD, BONE AND TISSUE BANKS

Description: B&O tax exemption is provided for nonprofit blood, bone or tissue banks for income that is exempted from federal income tax.

Purpose: To support the activities of these entities.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Approximately four entities are eligible for the exemption.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,290</td>
<td>$1,290</td>
<td>$1,107</td>
<td>$1,107</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
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</tbody>
</table>

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

82.04.326 ORGAN PROCUREMENT

Description: B&O tax exemption is allowed for nonprofit organ procurement organizations on income which is exempt from federal income tax.

Purpose: To extend the same tax treatment available to blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: Nonprofit organizations that locate and obtain human organs for transplant operations.

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? Yes.
BUSINESS TAXES – EXEMPTIONS FOR NONPROFIT ACTIVITIES

82.04.327 ADULT FAMILY HOMES

Description: Homes that provide a protected family-like environment for adult clients with developmental, physical or other disabilities are exempt from B&O tax. To qualify the home must be licensed by DSHS but does not necessarily have to be a nonprofit organization.

Purpose: To reduce the cost of operating these facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1987

Primary Beneficiaries: Approximately 2,867 homes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
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</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 572</td>
<td>$ 572</td>
<td>$ 485</td>
<td>$ 477</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
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</tbody>
</table>

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

82.04.338 SERVICES FOR HOP COMMISSION

Description: Income derived from business activities performed for a hop commodity commission or hop commodity board is exempt from B&O tax, as long as the entity performing the service is a nonprofit organization for federal income tax purposes.

Purpose: To support the activities of such organizations and the commission/board for whom they provide services.

Category/Year Enacted: Agriculture. 1998

Primary Beneficiaries: It is believed that a single nonprofit entity does work for the Hop Commission.

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? Yes.
BUSINESS TAXES – EXEMPTIONS FOR NONPROFIT ACTIVITIES

82.04.339    CHURCH DAY CARE

Description: B&O tax does not apply to day care centers operated in churches, if the care is provided for less than 24 consecutive hours.

Purpose: To reduce the cost of operating such facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1992

Primary Beneficiaries: Day care centers and their clients.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)        FY 2012 | FY 2013 | FY 2014 | FY 2015
State tax                     $749  |  $790  |  $833  |  $879
Local taxes - not considered.

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

82.04.3395    CHILD CARE RESOURCES AND REFERRAL

Description: Nonprofit child care resource and referral services are exempt from B&O tax on income received for services which link families with licensed child care providers. Also exempt is any income received for recruiting, training and supporting child care providers and work with businesses and communities regarding child care issues.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Child care resource and referral offices, many of which are housed under an umbrella organization such as the Child Care Resource and Referral Network.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)        FY 2012 | FY 2013 | FY 2014 | FY 2015
State tax                     $54   |  $56   |  $58   |  $60
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – EXEMPTIONS FOR NONPROFIT ACTIVITIES

82.04.355  RIDE SHARING

Description:  B&O tax exemption is provided for income (other than passenger fee income) received by nonprofit social service organizations, van pools and car pools that provide transportation services for commuters and persons with special transportation needs.

Purpose:  To reduce motor vehicle fuel consumption and traffic congestion by promoting commuter ride-sharing.  Also to support nonprofit organizations that provide group transportation services to persons with special needs.

Category/Year Enacted:  Other.  1979

Primary Beneficiaries:  Nonprofit social service organizations that provide transportation services.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  Minimal, if any.  It is assumed that most income received in the course of commuter ride sharing or providing transportation services for persons with special needs would be subject to public utility tax under the motor or urban transportation classification, not B&O tax.

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

82.04.363  CAMPS AND CONFERENCE CENTERS

Description:  Exemption from B&O tax is allowed for nonprofit organizations for amounts received for providing certain items at a camp or conference center conducted on property that is exempt from property tax.  This includes charges for furnishing food and meals, camping and lodging facilities, the use of meeting rooms, parking, books, tapes and other products available to participants of the camp or conference but not to the general public.

Purpose:  To reduce the cost of operating such camps and conference centers.

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

Primary Beneficiaries:  Nonprofit organizations that operate camps or conference centers.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$  113</td>
<td>$  114</td>
<td>$  115</td>
<td>$  117</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
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</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes.
82.04.3651   NONPROFIT ORGANIZATION FUND-RAISING

Description:  B&O tax does not apply to amounts received by a nonprofit organization from fund-raising activities, such as funds generated by soliciting or accepting contributions or selling goods or services at fund-raising events. For purposes of this exemption, fund-raising does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

Purpose:  To support the activities of nonprofit organizations.

Category/Year Enacted:  Nonprofit - other.  1998

Primary Beneficiaries:  Nonprofit organizations which raise funds to support their activities.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$343</td>
<td>$350</td>
<td>$357</td>
<td>$364</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
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</tbody>
</table>

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

82.04.367   STUDENT LOAN ORGANIZATIONS

Description:  B&O tax exemption is provided for the income of nonprofit organizations that issue debt for student loans and for guarantee agencies under the federal guaranteed student loan program.

Purpose:  To promote the availability of student loans.

Category/Year Enacted:  Nonprofit - other.  1987

Primary Beneficiaries:  Nonprofit student loan organizations qualifying under this statute.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  Due to a restructuring of the federal government’s education loan process, it is believed there would be no revenue impact for this statute. The Federal Family Education Loan Program was terminated and now all education assistance is provided directly by the federal government, rather than through a nonprofit organization.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes.
82.04.368 CREDIT AND DEBT COUNSELING SERVICES

Description: Nonprofit organizations that provide counseling services for consumers relating to credit and debt issues are exempt from B&O tax on income received for such services.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: A very small number of organizations potentially qualify for the exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Minimal. Although there are more than two dozen firms that provide credit/debt counseling services, the majority are not nonprofits. Further, the nonprofits do not generally charge the clients for the counseling service.

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

82.04.370 FRATERNAL INSURANCE

Description: Income derived from insurance premiums by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disabilities benefits and insure property for their members. These premiums are also exempt from insurance premiums tax.

Purpose: To support the programs and activities of these organizations.

Category/Year Enacted: Other. 1935

Primary Beneficiaries: Approximately two dozen societies and their members.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3,200</td>
<td>$ 3,200</td>
<td>$ 2,700</td>
<td>$ 2,700</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
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</tbody>
</table>

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

Description: B&O tax exemption is provided for nonprofit organizations on income they receive from the state for operation of sheltered workshops and group training homes for the developmentally disabled.

Purpose: To reduce the cost of providing these services.

Category/Year Enacted: Nonprofit - health or social welfare. 1970

Primary Beneficiaries: Eligible nonprofit organizations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
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</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,000</td>
<td>$ 2,000</td>
<td>$ 1,700</td>
<td>$ 1,700</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
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</table>

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

82.04.399  ACADEMIC TRANSCRIPTS

Description: Income received by educational institutions for providing academic transcripts on behalf of their present and former students is exempt from B&O tax.

Purpose: To support public and nonprofit educational institutions.

Category/Year Enacted: Nonprofit - other. 1996

Primary Beneficiaries: Public and private educational institutions.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)*  

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
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</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 9</td>
<td>$ 9</td>
<td>$ 9</td>
<td>$ 9</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
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</table>

*It is assumed that the state would not pay B&O tax on income from providing transcripts for students at public colleges and universities, since it is not a taxable "person" under RCW 82.04.030. Political subdivisions, however, are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – EXEMPTIONS FOR NONPROFIT ACTIVITIES

82.04.4251  PROMOTION OF TOURISM

Description: Payments received by nonprofit organizations from a government entity, Indian tribe, or other public corporation for purposes of development of tourism are exempt from B&O tax.

Purpose: To encourage tourism.

Category/Year Enacted: Nonprofit - other. 2006

Primary Beneficiaries: Nonprofit tourism promotion firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  Believed to be minimal.

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

82.04.4264  ADULT BOARDING HOMES

Description: Nonprofit adult boarding homes licensed under Chapter 18.20 RCW are exempt from B&O tax on receipts for domiciliary care.

Purpose: To reduce the tax liability of such homes.

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: Nonprofit adult boarding homes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
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</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4265 COMPREHENSIVE CANCER CENTERS

Description: Receipts by comprehensive cancer centers are exempt from B&O tax to the extent the amounts are exempt from federal income tax.

Purpose: To encourage cancer research

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: One entity.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed.

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

82.04.4275 CHILD WELFARE SERVICES

Description: Nonprofit health or social welfare organizations may deduct from B&O tax liability amounts received as compensation for providing child welfare services, as defined in RCW 74.13.020.

Purpose: To support the work of these organizations.

Category/Year Enacted: Nonprofit - health or social welfare. 2011

Primary Beneficiaries: Eligible nonprofit organizations.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$846</td>
<td>$1,177</td>
<td>$998</td>
<td>$981</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
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</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – EXEMPTIONS FOR NONPROFIT ACTIVITIES

82.04.4277 MENTAL HEALTH SERVICES

Description: A B&O deduction is provided for amounts received by nonprofit health or social welfare organizations for providing mental health services under a government-funded program. It also provides the same deduction to regional support networks (RSNs) for amounts received by the state for distribution to health or social welfare organizations which qualify for the deduction. This statute is scheduled to expire on August 1, 2016.

Purpose: To reduce the cost of providing mental health services.

Category/Year Enacted: Nonprofit – health or social welfare. 2011

Primary Beneficiaries: Health and social welfare organizations and RSNs and their clients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 620</td>
<td>$ 795</td>
<td>$ 704</td>
<td>$ 747</td>
</tr>
<tr>
<td>Local taxes – not considered.</td>
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</tbody>
</table>

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

82.04.635 LEGAL SERVICES FOR LOW-INCOME PERSONS

Description: B&O tax exemption is allowed for nonprofit firms on income received for providing legal services to low-income persons.

Purpose: To provide relief to businesses that give legal assistance to low-income persons.

Category/Year Enacted: Nonprofit - other. 2009

Primary Beneficiaries: Nonprofit legal providers and low-income persons.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 476</td>
<td>$ 521</td>
<td>$ 452</td>
<td>$ 470</td>
</tr>
<tr>
<td>Local taxes – not considered.</td>
<td></td>
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</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.640 ASSESSMENTS BY VACCINE ASSOCIATION

Description: The Washington Vaccine Association collects funds from health care insurers and third-party administrators for the cost of vaccines provided to children. Funds received by the Association are exempt from B&O tax.

Purpose: To improve the health of children.

Category/Year Enacted: Other business. 2010

Primary Beneficiaries: The Washington Vaccine Association.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There is only one affected organization and thus the impact cannot be disclosed publicly.

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

82.04.280(6) RADIO AND TV BROADCASTING

Description: A B&O tax deduction is allowed for radio and television broadcasters for: (1) income received from network, national, and regional advertising, and (2) that portion of revenue represented by their out-of-state audience.

Purpose: The deduction reflects a perception that broadcasts which cross the state's boundaries and advertising income derived from outside the state may constitute interstate commerce.

Category/Year Enacted: Commerce. 1967, as a result of a Court decision.

Primary Beneficiaries: Interstate broadcasters.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
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<tbody>
<tr>
<td>State tax</td>
<td>$ 1,200</td>
<td>$ 1,200</td>
<td>$ 1,200</td>
<td>$ 1,200</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, unless the tax would be considered as interfering with interstate commerce.

82.04.298(2) GROCERY CO-OPS

Description: A deduction from gross proceeds of sales is allowed for the cost of goods by a qualified grocery cooperative that does not make sales at wholesale to its members/owners. However, any commission income is subject to tax under the service classification.

Purpose: To provide a deduction for qualified grocery cooperatives on goods distributed to its members when the cooperative retains the title to the goods.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: Two cooperatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Due to confidentiality requirements, the impact of this deduction 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? Yes.
**82.04.333 SMALL TIMBER HARVESTERS**

**Description:** Previously, small timber harvesters (sales of less than $100,000 annually) were exempt from extracting B&O tax. In 2007, the statute was amended so that the exemption becomes a deduction for all small timber harvests as defined under the timber tax statute (Chapter 84.33 RCW). In addition to sales of less than $100,000 annually, the small harvester definition includes firms that harvest fewer than two million board feet annually.

**Purpose:** To assist one-time or infrequent timber harvesters.

**Category/Year Enacted:** Other business. 2007

**Primary Beneficiaries:** Small timber harvesters.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, the B&O tax small business credit would still apply.

**82.04.4271 YOUTH ORGANIZATION FEES**

**Description:** B&O tax deduction is allowed for nonprofit youth organizations for membership fees, dues and fees paid for the use of camping and recreational facilities.

**Purpose:** To support the programs and social benefits provided by these organizations. Dues are ordinarily deductible under RCW 82.04.4282, but not when the payment is in exchange for specific goods or services. Therefore, this deduction is necessary to cover the typical charges of YMCAs, church camps, and similar organizations.

**Category/Year Enacted:** Nonprofit - charitable or religious. 1981

**Primary Beneficiaries:** Approximately 250 nonprofit youth organizations.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 371</td>
<td>$ 382</td>
<td>$ 394</td>
<td>$ 405</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4272  DELIVERY CHARGES FOR DIRECT MAIL

Description:  B&O tax deduction is allowed for delivery charges made for direct mail, if the charges are separately stated on the billing given to the purchaser. Direct mail refers to printed material delivered without charge to a mass audience or to a mailing list provided by the purchaser.

Purpose:  To clarify the taxation of delivery charges for direct mail.

Category/Year Enacted:  Other business.  2005

Primary Beneficiaries:  Direct mail service providers.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$   16</td>
<td>$   16</td>
<td>$   17</td>
<td>$   18</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4274  NONPROFIT PROPERTY MANAGEMENT

Description:  A B&O tax deduction is permitted for amounts that:  (1) a nonprofit property management company receives for compensating on-site employees from the owner of the property; (2) a property management company receives for compensating on-site employees from a housing authority, or (3) a property management company receives for compensating on-site employees from a limited liability company or limited partnership, of which the sole managing member or sole general partner is a housing authority.

Purpose:  To treat these amounts as a tax-exempt pass-through. Even though on-site personnel are supervised by the management company, the wages are ultimately the obligation of the owner.

Category/Year Enacted:  Tax base.  2011

Primary Beneficiaries:  Nonprofit property management companies or proprietary property management companies whose clients are housing authorities.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 704</td>
<td>$ 740</td>
<td>$ 654</td>
<td>$ 688</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes.
82.04.4281 INVESTMENT INCOME OF NONFINANCIAL FIRMS

Description: Deduction is provided for interest, dividends and capital gain income earned by persons who are not engaged in banking, loan, security or other financial businesses.

Purpose: The B&O tax is intended to apply for the privilege of engaging in business. This deduction reflects the perspective that investment income by nonfinancial firms is not considered as engaging in business.

Category/Year Enacted: Tax base. 1935; clarified in 2002.

Primary Beneficiaries: Nonfinancial corporations (44.2% of the total); individuals (49.2%); and partnerships (6.6%).

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$326,200</td>
<td>$346,800</td>
<td>$307,100</td>
<td>$329,700</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4281 DIVIDENDS FROM SUBSIDIARIES

Description: A B&O tax deduction is provided for amounts derived as dividends received from subsidiaries and interest received on loans to related companies, if the total investment and loan income is less than five percent of the firm's annual gross receipts.

Purpose: To provide a positive environment for capital investment in Washington and to provide equivalent treatment for similarly situated taxpayers.


Primary Beneficiaries: Holding companies of financial institutions and other parent corporations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Indeterminate. Information on these transactions does not appear on state excise tax returns or business financial statements. There is no good way to estimate the impact.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although firms could easily shift such income to affiliated out-of-state entities.
82.04.4282  MEMBERSHIP DUES AND FEES

Description: B&O tax deduction is allowed for amounts derived from bona fide initiation fees and dues. The value of any significant goods or services provided to members may not be claimed as a deduction, if the goods or services are provided to members without additional charge.

Purpose: To recognize that initiation fees and membership dues are in part or in whole paid solely for the privilege of membership and not in return for significant goods or services.

Category/Year Enacted: Nonprofit - other. 1935

Primary Beneficiaries: Private clubs (health, sports, social, etc.) and their members.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,330</td>
<td>$ 2,553</td>
<td>$ 2,213</td>
<td>$ 2,301</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4282  CONTRIBUTIONS AND DONATIONS

Description: B&O tax deduction is allowed for amounts received as contributions, donations and endowment funds, provided that no specific service is performed as a condition for receiving these funds.

Purpose: Donations are not considered as income derived from engaging in business.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Private schools and colleges and other nonprofit organizations, such as hospitals and religious, fraternal and charitable groups.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,032</td>
<td>$ 2,227</td>
<td>$ 1,930</td>
<td>$ 2,007</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming that other statutory changes were made to ensure these amounts would be taxable.
82.04.4282   TUITION FEES

Description: B&O tax deduction is provided for tuition fees and charges, including fees by privately operated kindergartens. Tuition fees are defined by RCW 82.04.170 to include charges for room and board, as well as fees for library, laboratory, or health services and other special fees, made by an educational institution.

Purpose: To reduce the cost of education provided by private schools and colleges.


Primary Beneficiaries: Private schools, colleges and kindergartens.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$12,700</td>
<td>$13,920</td>
<td>$12,064</td>
<td>$12,547</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4282   TRADE SHOWS

Description: Deduction from B&O tax is allowed for nonprofit trade or professional organizations for charges made in conjunction with trade shows, conventions and educational seminars, as long as the event is not open to the general public. The deduction covers admission fees and charges for occupying space.

Purpose: To encourage trade shows, conventions and educational seminars to take place in this state.

Category/Year Enacted: Nonprofit - other. 1989

Primary Beneficiaries: Nonprofit organizations that sponsor trade shows.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 11</td>
<td>$ 12</td>
<td>$ 11</td>
<td>$ 11</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4282 PRIVATE KINDERGARTENS

Description: Deduction from B&O tax is allowed for privately operated kindergartens.

Purpose: To support privately operated kindergartens.

Category/Year Enacted: Nonprofit - other. 1965

Primary Beneficiaries: Private kindergartens and the parents of their students.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The revenue impact is included under the deduction for tuitions.

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

82.04.4282 ENDOWMENT FUNDS

Description: Deduction from B&O tax is allowed for income derived by endowment funds.

Purpose: To recognize that such income is not considered as being derived from engaging in business.

Category/Year Enacted: Tax base. 1980

Primary Beneficiaries: Persons that manage endowment funds.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There is no evidence that this deduction has been utilized in recent years.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4284 CREDIT LOSSES

**Description:** B&O tax deduction is allowed for firms that maintain their books on an accrual basis equal to the amount of loss resulting from nonpayment of accounts. The result is equivalent treatment for cash and accrual basis taxpayers.

**Purpose:** To recognize that no income is actually received by the seller on unpaid transactions.

**Category/Year Enacted:** Other business. 1935

**Primary Beneficiaries:** Firms that use the accrual method of accounting.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 9,223</td>
<td>$ 9,592</td>
<td>$ 8,710</td>
<td>$ 9,059</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, it should be recognized that no income was received by the seller.

82.04.4285 MOTOR VEHICLE FUEL TAXES

**Description:** The amount of state and federal taxes on motor vehicle fuel that is included in the sales price is deductible for B&O purposes by wholesalers and retailers of the fuel. Currently, the state levies a tax of 37.5 cents per gallon and the federal government imposes a tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel. Both are paid at the distributor level and are passed on to consumers in the retail price.

**Purpose:** To eliminate double taxation.

**Category/Year Enacted:** Tax base. 1935

**Primary Beneficiaries:** Retail fuel dealers and purchasers of fuel.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$10,525</td>
<td>$11,040</td>
<td>$11,581</td>
<td>$12,149</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

*Estimates based on both wholesale and retail levels and include both state and federal tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4287 PROCESSING HORTICULTURAL PRODUCTS

Description: B&O tax deduction is provided for income received for washing, sorting and packing fresh, perishable horticultural products, if the work is performed for the farmer/producer.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Processors of fresh horticultural products.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,478</td>
<td>$ 1,551</td>
<td>$ 1,629</td>
<td>$ 1,711</td>
</tr>
<tr>
<td></td>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4289 NURSING HOMES AND OTHER FACILITIES

Description: B&O tax deduction is allowed for nonprofit nursing homes, kidney dialysis facilities, hospice agencies and homes for unwed mothers operated by religious or charitable organizations. The deduction covers compensation received for patient care and the sale of prescription drugs to patients.

Purpose: To reduce the cost of caring for patients of these facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1945. Nonprofit hospitals were removed from the deduction in 1993 when they became subject to B&O tax to provide funding for health care. Hospice facilities were added in 1998.

Primary Beneficiaries: Organizations which operate these facilities and their patients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 6,464</td>
<td>$ 6,594</td>
<td>$ 5,605</td>
<td>$ 5,717</td>
</tr>
<tr>
<td></td>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4291  INTERGOVERNMENTAL CHARGES

Description: Local government jurisdictions may deduct from gross income that is subject to B&O tax any income received from other political subdivisions that would otherwise be taxable under the service classification.

Purpose: This deduction allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax liability.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Cities and counties.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  The impact of this deduction is included under the exemption for local government business income, RCW 82.04.419.

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

82.04.4292  INTEREST ON REAL ESTATE LOANS

Description: B&O tax deduction is allowed for interest earned on first mortgage loans and securities secured by first mortgages of non-transient residential property.

Purpose: To reduce the cost of purchasing a home and to stimulate residential construction in Washington.


Primary Beneficiaries: Financial institutions, the real estate industry and home buyers to the extent that the benefit of the deduction is passed through to borrowers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$48,830</td>
<td>$56,560</td>
<td>$54,140</td>
<td>$59,820</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4293  INTEREST ON GOVERNMENT OBLIGATIONS

Description:  B&O deduction is provided for interest income from obligations of Washington State and its political subdivisions and municipal corporations.

Purpose:  To provide state tax treatment comparable to federal income tax treatment of state and municipal bonds.  Also, this helps to reduce the cost of state and local government construction projects which are financed by bonds.


Primary Beneficiaries:  Financial institutions with economic nexus in Washington that hold public bonds.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,870</td>
<td>$ 4,980</td>
<td>$ 4,240</td>
<td>$ 4,290</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4294  INTEREST ON AGRICULTURAL LOANS

Description:  Financial businesses may deduct income derived as interest on certain agricultural and aquatic loans.  To qualify, the lending institution must be owned exclusively by its borrowers or members and be solely engaged in making loans and providing financial services to farmers, ranchers, producers of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals or entities.

Purpose:  To support the agricultural industry by reducing the cost of loans issued by cooperatives.


Primary Beneficiaries:  Five entities involved in making agricultural loans to farmers or cooperatives.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,198</td>
<td>$ 4,328</td>
<td>$ 3,719</td>
<td>$ 3,834</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4295 MANUFACTURING COMPLETED IN WASHINGTON

Description: For products manufactured outside the state that are brought into Washington for minor final assembly (less than two percent of the sales value) and then sold outside the state, the value initially created outside the state is allowed as a deduction from B&O tax.

Purpose: To stimulate trade and importing of products through Washington ports.

Category/Year Enacted: Business incentive. 1977

Primary Beneficiaries: Out-of-state manufacturers of motor vehicles (e.g., imported pickup trucks whose beds are attached in Washington).

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 12,970</td>
<td>$ 13,016</td>
<td>$ 13,143</td>
<td>$ 13,259</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4296 FUNERAL HOME REIMBURSEMENT

Description: B&O tax deduction is allowed for amounts received by a funeral home as reimbursement for expenditures made by the home as an accommodation to persons paying for a funeral. The expenditures must be for goods and services provided by a person not affiliated or associated with the funeral home. The amounts are deductible only if billed to the person paying for the funeral at the same cost and if they are separately itemized on the billing statement.

Purpose: To reduce the cost of funerals and simplify the billing of various components of funerals (e.g., charges for flowers).

Category/Year Enacted: Other business. 1979

Primary Beneficiaries: Funeral homes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 28</td>
<td>$ 28</td>
<td>$ 24</td>
<td>$ 25</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4297  GRANTS TO NONPROFIT ORGANIZATIONS

Description: Deduction from B&O tax is provided to nonprofit organizations or local government entities for grants received from federal, state or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include health care; family and drug counseling; services for the sick, elderly and handicapped; day care; vocational training and employment services; legal services for the indigent; and services for low-income homeowners or renters.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - health or social welfare. 1979

Primary Beneficiaries: Nonprofit social service organizations and their clients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$119,903</td>
<td>$122,301</td>
<td>$103,956</td>
<td>$106,035</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4298  CONDOMINIUM MAINTENANCE FEES

Description: A B&O tax deduction is allowed for funds received by cooperative housing associations, condominium associations and residential property associations from members of the association, if the funds are used for repair, maintenance, management and improvement of the residences and the commonly held property.

Purpose: To provide comparable tax treatment for these payments by condo owners and the funds set aside by homeowners for similar maintenance and upkeep purposes.

Category/Year Enacted: Other business. 1979

Primary Beneficiaries: Condominium associations and their members.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 11,154</td>
<td>$ 11,488</td>
<td>$  9,861</td>
<td>$ 10,157</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4311  MEDICARE RECEIPTS BY PUBLIC/NONPROFIT HOSPITALS

Description: B&O tax deduction is allowed for public and nonprofit hospitals and community health centers for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program. The deduction applies regardless if the revenues were received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

Purpose: To recognize that the provision of health services to people who receive federal or state subsidized health benefits by reason of age, disability or income level is a necessary and vital governmental function.

Category/Year Enacted: Nonprofit - health or social welfare. 2002 (Health centers added in 2005.)

Primary Beneficiaries: Nonprofit and public hospitals and community health centers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$101,000</td>
<td>$105,000</td>
<td>$110,000</td>
<td>$114,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.432  MUNICIPAL SEWER CHARGES

Description: City sewer utilities are permitted to deduct from income subject to B&O tax any payments to other cities or other governmental agencies for interception, treatment or disposal of sewerage.

Purpose: Collection of sewerage is taxable under the state public utility tax. Interception, treatment and disposal of sewerage are subject to the state B&O tax. This deduction eliminates pyramiding of the tax when multiple utilities are involved in the provision of sewerage services. Because of the deduction provided by RCW 82.04.4291 (intergovernmental charges), this income is not taxed at all.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: Cities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,864</td>
<td>$ 1,938</td>
<td>$ 1,680</td>
<td>$ 1,747</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes; however unless RCW 82.04.4291 were also repealed, no additional revenue would be realized.
**BUSINESS TAXES – DEDUCTIONS**

<table>
<thead>
<tr>
<th>Statute</th>
<th>Description</th>
<th>Purpose</th>
<th>Category/Year Enacted</th>
<th>Primary Beneficiaries</th>
<th>Possible Program Inconsistency</th>
<th>Taxpayer Savings ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>82.04.4324</td>
<td>ARTS/CULTURAL ORGANIZATIONS - MANUFACTURED ITEMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Local taxes - not considered.</td>
</tr>
<tr>
<td>82.04.4326</td>
<td>ARTS/CULTURAL ORGANIZATIONS - TUITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>82.04.4327</td>
<td>ARTS/CULTURAL ORGANIZATIONS - BUSINESS INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description: These four statutes provide B&O tax deductions for nonprofit artistic or cultural organizations, including performing arts groups such as music, theater, dance; and art history museums. Four types of income are covered: government grants, tuitions, manufactured items, and business income (e.g., charges for admission). Because data are typically not available on each source of income, these are considered jointly.

Purpose: To support the programs of artistic and cultural organizations.


Primary Beneficiaries: Nonprofit arts and cultural organizations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)

<table>
<thead>
<tr>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$4,430</td>
<td>$4,563</td>
<td>$3,928</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

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

---

**82.04.433 FUEL FOR COMMERCIAL VESSELS**

Description: A B&O tax deduction is provided for income derived from the sale of fuel that is consumed outside of Washington territorial waters of the U.S. in vessels engaged in foreign commerce.

Purpose: To foster foreign trade and encourage ocean-going vessels to purchase fuel in Washington.

Category/Year Enacted: Other business. 1985

Primary Beneficiaries: Fuel dealers and commercial vessels engaged in foreign commerce.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)

<table>
<thead>
<tr>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$2,884</td>
<td>$2,921</td>
<td>$2,958</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4332 FOREIGN BRANCH CAMPUSES

Description: A B&O tax deduction is provided for tuition fees received by an in-state branch of a foreign university. To qualify, the university must be in compliance with RCW 28B.90, grant degrees, and be exempt from federal income tax.

Purpose: To encourage foreign universities to locate branches in Washington.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: Two branches of foreign universities have been approved by the Higher Education Coordinating Board and are eligible for the deduction. Only one is taking the deduction.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Cannot be disclosed for confidentiality reasons.

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

82.04.4334 SALES OF ALTERNATIVE FUEL

Description: Deduction from B&O tax is provided for income from the sale or distribution of biodiesel or E85 motor fuel. Biodiesel fuel is derived from vegetable oils or animal fats. E85 fuel is a blend of ethanol and hydrocarbon in which the ethanol portion is comprised of from 75 to 85 percent denatured fuel ethanol. This deduction is scheduled to expire on July 1, 2015.

Purpose: To encourage the production and sale of alternative fuels.


Primary Beneficiaries: Dealers of alternative fuels.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 88</td>
<td>$ 91</td>
<td>$ 94</td>
<td>$ 97</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4337 MEDICAID RECEIPTS OF ADULT BOARDING HOMES

Description: A deduction from B&O taxable income is allowed for proprietary adult boarding homes licensed under Chapter 18.20 RCW for amounts received from Medicaid for residential care.

Purpose: To make the tax treatment of boarding homes the same as nursing homes.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Adult boarding homes that are organized for-profit.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,574</td>
<td>$ 1,574</td>
<td>$ 1,334</td>
<td>$ 1,312</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4338 AUXILIARY POWER FOR DIESEL TRUCKS

Description: Exemption from B&O tax is provided for income associated with the development and operation of electrical power service hookups for diesel freight trucks at highway truck stops.

Purpose: To reduce diesel engine air pollution by encouraging truck stop operators to provide electric power to truck systems and for truck drivers to utilize the available "shore" power through the use of onboard electrification systems.

Category/Year Enacted: Other business. 2006

Primary Beneficiaries: Truck stop operators.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The revenue impact is considered to be minimal.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.4339 GRANTS FOR SALMON HABITAT RESTORATION

Description: Governmental grants received by nonprofit organizations for purposes of restoring salmon habitat are deductible from B&O tax liability.

Purpose: To encourage restoration of salmon habitat

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Approximately 40 organizations involved in restoring salmon habitat.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 388</td>
<td>$ 388</td>
<td>$ 329</td>
<td>$ 324</td>
</tr>
<tr>
<td>Local taxes</td>
<td>not considered</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.43391 INTEREST ON LOANS FOR COMMERCIAL AIRCRAFT

Description: B&O tax does not apply to interest and fees on loans secured by commercial aircraft that are primarily used to provide routine air service when those aircraft are owned by a passenger air carrier, its affiliated or its parent company. The entity that utilizes this deduction must be physically located in Washington.

Purpose: To ensure that the economic nexus provisions of 2010 legislation did not inadvertently apply to this activity and to retain the previous tax exempt provisions of such interest and loan fees.

Category/Year Enacted: Other business. 2010

Primary Beneficiaries: A single airline company.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The revenue impact cannot be disclosed, since it is believed that the deduction applies to a single firm.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Perhaps in the short term, but in the long run contracts would be rewritten to move the loan activity out of state.
BUSINESS TAXES – DEDUCTIONS

82.04.540(2) WAGES PAID FOR CLIENTS

Description: Deduction from state B&O tax is provided for a professional employer organization (PEO) for the cost of wages, salaries, benefits, and other payments made to covered employees who are co-employed by the PEO and a client of the PEO.

Purpose: To exclude from B&O tax payroll expenses being passed through the PEO to the covered employees.

Category/Year Enacted: Tax Base. 2006

Primary Beneficiaries: Approximately 33 professional employer organizations.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 1,636 $ 1,832 $ 958 $ 1,126
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, however, to the extent that such a PEO could demonstrate that the wages/benefits are advances/reimbursements under the Department’s Excise Tax Rule 111, they would be able to exclude such amounts from tax.

82.04.620 PHYSICIAN ADMINISTRATION OF PRESCRIPTION DRUGS

Description: This B&O deduction allows physicians or clinics to deduct amounts received for the infusion or injection of drugs for human use pursuant to a prescription. The deduction may not exceed the current federal reimbursement rate under Medicare. The injection must be covered or required under a health care program which is subsidized by the federal or state government.

Purpose: To improve patient care by encouraging physicians to administer drugs in their own facilities, rather than referring their patients to a hospital where the wait time and cost of care may be greater.

Category/Year Enacted: Other business. 2007

Primary Beneficiaries: Doctors, clinics and their patients

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 1,800 $ 1,800 $ 1,500 $ 1,500
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – DIFFERENTIAL RATES

82.04.240(2) MANUFACTURING SEMICONDUCTOR MATERIALS

Description: Firms that manufacture materials used in the production of semiconductors are subject to B&O tax at a rate of 0.275 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate lasts for a period of 12 years from the effective date. The reduced tax rate is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study.

Purpose: To encourage retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) None to date.

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

82.04.2404 MANUFACTURING/PROCESSING SEMICONDUCTOR MATERIALS

Description: Firms that manufacture materials used in the production of semiconductors are subject to B&O tax at a rate of 0.275 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate lasts for a period of 12 years from the effective date. The reduced tax rate is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $350 million. This criterion was met, and the reduced tax rate became effective on December 1, 2006.

Purpose: To encourage retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Two firms that manufacture semiconductor materials.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The dollar amount cannot be disclosed because fewer than three firms currently benefit from the reduced tax rate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.250(1) RETAILING

Description: Until 1983, retailers paid the same B&O tax rate as manufacturers and wholesalers. In that year the B&O rates were increased by 10 percent (to 0.484 percent) for the latter two classifications, but only by seven percent for retailers (to 0.471 percent).

Purpose: Part of the rationale for the lower retailing tax rate was the recognition that during the 1981-83 biennium the state sales tax rate was increased from 4.5 to 6.5 percent and this large increase may have adversely impacted retailing firms. Further, the state does not allow any compensation to retailers for their costs incurred in collecting the state and local sales tax.

Category/Year Enacted: Other business. 1983

Primary Beneficiaries: Approximately 190,000 firms that make retail sales.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$22,610</td>
<td>$24,782</td>
<td>$25,648</td>
<td>$26,543</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.250(3) CERTIFIED AIRCRAFT REPAIR

Description: Repair of interstate transportation equipment is normally subject to the B&O tax rate of 0.484 percent. In 2003, a reduced tax rate of 0.275 percent was provided for qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR part 145" repair facility. In 2006, the tax rate was changed to 0.2904 percent for this rate classification. The statute is scheduled to expire on July 1, 2024.

Purpose: To encourage the repair of aircraft in this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Approx. 25 – 30 firms qualify for this tax rate.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 607</td>
<td>$ 709</td>
<td>$ 804</td>
<td>$ 845</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – DIFFERENTIAL RATES

82.04.260(1a) MANUFACTURERS OF FLOUR AND OIL

Description: A preferential B&O tax rate of 0.138 percent is provided for manufacturers of flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts and sunflower oil. The general tax rate for manufacturing is 0.484 percent.

Purpose: To provide tax relief to agricultural processing firms with typically low profit margins that are unable to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.


Primary Beneficiaries: A very small number of firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$163</td>
<td>$179</td>
<td>$186</td>
<td>$193</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.260(1b) PROCESSING OF SEAFOOD

Description: A preferential B&O tax rate of 0.138 percent is provided for manufacturers and wholesalers of seafood products that remain in a raw, raw frozen or raw salted state after the processing. The general tax rate for manufacturing is 0.484 percent. This tax rate goes into effect on July 1, 2012 (following the current exemption for this activity.)

Purpose: To provide tax relief to firms with typically low profit margins that are unable to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

Category/Year Enacted: Agriculture. 2010 (effective July 1, 2012).

Primary Beneficiaries: Approx. 20 firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$0</td>
<td>$3,716</td>
<td>$4,216</td>
<td>$4,385</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**BUSINESS TAXES – DIFFERENTIAL RATES**

### 82.04.260(1c) MANUFACTURING DAIRY PRODUCTS

**Description:** A preferential B&O tax rate of 0.138 percent is provided for manufacturers and wholesalers of dairy products and by-products. The general tax rate for manufacturing is 0.484 percent. This tax rate goes into effect on July 1, 2012 (following the current exemption for this activity.)

**Purpose:** To provide tax relief to firms with typically low profit margins that are unable to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

**Category/Year Enacted:** Agriculture. 2010 (effective July 1, 2012).

**Primary Beneficiaries:** Approx. 7 firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$0</td>
<td>$2,733</td>
<td>$3,101</td>
<td>$3,225</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### 82.04.260(1d) PROCESSING FRESH FRUIT AND VEGETABLES

**Description:** A preferential B&O tax rate of 0.138 percent is provided for manufacturers and wholesalers of fruit or vegetable products that are canned, preserved, dehydrated or frozen. The general tax rate for manufacturing is 0.484 percent. This tax rate goes into effect on July 1, 2012 (following the current exemption for this activity.)

**Purpose:** To provide tax relief to firms with typically low profit margins that are unable to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

**Category/Year Enacted:** Agriculture. 2010 (effective July 1, 2012).

**Primary Beneficiaries:** Approx. 95 firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$0</td>
<td>$10,529</td>
<td>$11,945</td>
<td>$12,423</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.260(1f) MANUFACTURERS OF WOOD BIOMASS FUEL

Description: A preferential B&O tax rate of 0.138 percent is provided for manufacturers of wood biomass fuel. The general tax rate for manufacturing is 0.484 percent.

Purpose: To encourage the production of alternative fuels in Washington.

Category/Year Enacted: Business incentive. 2003 (exemption for biodiesel ended in 2009)

Primary Beneficiaries: There are currently no manufacturers operating in this state.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) None currently.

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

82.04.260(2) PROCESSORS OF DRIED PEAS

Description: A preferential B&O tax rate of 0.138 percent is provided for processors of dried peas. This rate was reduced from the general manufacturing rate in 1967 to 0.275 percent and again in 1998 to 0.138 percent as part of a B&O tax rate consolidation for tax simplification purposes.

Purpose: To provide tax relief to firms with typically low profit margins that are not able to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

Category/Year Enacted: Agriculture. 1967 and 1998

Primary Beneficiaries: Approximately four firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$192</td>
<td>$211</td>
<td>$219</td>
<td>$228</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
### 82.04.260(3)  NONPROFIT RESEARCH & DEVELOPMENT

**Description:** A preferential B&O tax rate of 0.484 percent is provided for nonprofit research and development activities of nonprofit corporations and associations. In the absence of this statute, the service classification would otherwise apply.

**Purpose:** To support nonprofit R&D activities.

**Category/Year Enacted:** Business incentive. 1965

**Primary Beneficiaries:** Currently one firm.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** Because only one firm utilizes this tax rate, the impact cannot be publicly stated.

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

### 82.04.260(4)  PROCESSORS OF MEAT

**Description:** A preferential B&O tax rate of 0.138 percent is provided for processors and wholesalers of perishable meat products. This rate was first reduced to 0.33 percent in 1967. Several other changes in the rate occurred subsequently until in 1998 it was reduced to 0.138 percent as part of a B&O tax rate consolidation for tax simplification purposes. The general tax rate for manufacturing is 0.484 percent.

**Purpose:** To provide tax relief to firms with typically low profit margins that are not able to pass the total cost of a gross receipts tax on to final consumers because of a highly competitive market structure.

**Category/Year Enacted:** Agriculture. 1967 followed by other subsequent changes until the 0.138 percent rate was adopted in 1998.

**Primary Beneficiaries:** Approximately 260 firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 19,245</td>
<td>$ 21,094</td>
<td>$ 21,937</td>
<td>$22,815</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – DIFFERENTIAL RATES

82.04.260(5) TRAVEL AGENTS

Description: A reduced B&O tax rate of 0.275 percent is provided for commissions earned by travel agents and tour operators. In the absence of this statute the commissions would be subject to the service rate of 1.5 percent (temporarily 1.8 percent).

Purpose: To recognize that some of the income of these firms is derived from travel that may take place outside of the state.

Category/Year Enacted: Other business. 1975

Primary Beneficiaries: Approximately 480 taxpayers report under this rate classification.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 11,137</td>
<td>$ 11,469</td>
<td>$ 9,487</td>
<td>$ 9,770</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.260(6) CHARTER AND FREIGHT BROKERS

Description: A preferential B&O tax rate of 0.275 percent is provided for the international activities of charter and freight brokers. This rate was reduced to 0.363 percent in 1979 and again in 1998 to 0.275 percent as part of a B&O tax rate consolidation for tax simplification purposes. The general tax rate for service activities is 1.5 percent (temporarily 1.8 percent through FY 2013).

Purpose: To encourage international trade through Washington.

Category/Year Enacted: Business incentive. 1979 and 1998

Primary Beneficiaries: Approximately 15 firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,410</td>
<td>$ 4,271</td>
<td>$ 3,322</td>
<td>$ 3,217</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.260(7) STEVEDORING

Description: A preferential B&O tax rate of 0.275 percent is provided for revenue derived from stevedoring and similar cargo handling activities. Previously, this activity was subject to public utility tax at a rate of 1.926 percent. It was moved to the B&O tax at a rate of 0.363 percent and the rate was further reduced to 0.275 in 1998 percent as part of a B&O tax rate consolidation for tax simplification purposes. The general B&O tax rate for service activities is 1.5 percent (temporarily 1.8 percent).

Purpose: To encourage international trade through Washington.

Category/Year Enacted: Business incentive. 1979 and 1998

Primary Beneficiaries: Approximately 25 firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 10,985</td>
<td>$ 12,040</td>
<td>$ 10,059</td>
<td>$ 10,461</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.260(9) INSURANCE AGENTS

Description: A preferential B&O tax rate of 0.484 percent is provided for revenue derived in the form of commissions by insurance agents and brokers. Previously, this activity was subject to the B&O service classification at a rate of 1.5 percent (now 1.8 percent on a temporary basis). It was reduced to 1.1 percent in 1983 and to 0.55 percent in 1995. In 1998, the rate was reduced to the current level as part of a B&O tax rate consolidation.

Purpose: To reflect the perception that insurance companies could not pass on the increased taxes to their current policy holders when the B&O service rate was increased in 1983.


Primary Beneficiaries: Approximately 5,000 taxpayers benefit from this tax rate reduction.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 25,714</td>
<td>$ 26,481</td>
<td>$ 21,054</td>
<td>$ 21,682</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.260(11) MANUFACTURING COMMERCIAL AIRCRAFT & TOOLING

Description: A preferential B&O tax rate is provided for manufacturers of commercial airplanes or components of commercial airplanes, as well as tooling used in the production of commercial aircraft. Compared with the general tax rate for manufacturing of 0.484 percent, this statute allowed a two-step reduction in the tax rate. Starting on October 1, 2005 the rate for manufacturing of all commercial airplanes and components dropped to 0.4235 percent. The 0.2904 percent rate became effective on July 1, 2007. This rate will remain in effect until July 1, 2024.

Purpose: To encourage assembly of a super-efficient airplane in Washington.

Category/Year Enacted: Business incentive. 2003, the current rate became effective on July 1, 2007.

Primary Beneficiaries: Approx. 314 manufacturers of commercial airplanes and components.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 76,363</td>
<td>$ 83,698</td>
<td>$ 87,046</td>
<td>$ 90,528</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.260(12) EXTRACTING/MANUFACTURING TIMBER & WOOD PRODUCTS

Description: A preferential B&O tax rate of 0.2904 percent is provided for extracting or manufacturing of timber and selling timber and wood products at wholesale. Previously these activities were subject to a B&O tax rate of 0.484 percent. This tax rate expires on July 1, 2024.

Purpose: To encourage the timber industry.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approx. 700 firms that extract timber or manufacture timber and wood products.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 12,098</td>
<td>$ 13,260</td>
<td>$ 13,791</td>
<td>$ 14,342</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.260(13) SERVICES FOR SALMON CANNERS

**Description:** A preferential B&O tax rate of 0.484 percent is provided for firms that inspect, test, label or store canned salmon for another firm that owns the canned salmon. Previously, these activities were subject to the 1.5 percent service rate (temporarily 1.8 percent).

**Purpose:** To provide tax relief for firms that inspect, test, label or store canned salmon for salmon canners.

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** A very small number of firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 196</td>
<td>$ 202</td>
<td>$ 161</td>
<td>$ 165</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.260(14) PRINTING/PUBLISHING NEWSPAPERS

**Description:** A preferential B&O tax rate of 0.2904 percent is provided for firms engaged in printing or publishing of newspapers in this state. Previously, these activities were taxed at 0.484 percent.

**Purpose:** To support the newspaper industry.

**Category/Year Enacted:** Other business. 2009

**Primary Beneficiaries:** Approx. 100 firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 816</td>
<td>$ 759</td>
<td>$ 721</td>
<td>$ 700</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – DIFFERENTIAL RATES

82.04.272 RESELLERS OF PRESCRIPTION DRUGS

Description: A preferential B&O tax rate is provided for resellers of prescription drugs that are registered with the Federal Drug Enforcement Administration and licensed by the State Board of Pharmacies. The tax rate is 0.138 percent, compared with the 0.484 percent rate for wholesalers and 0.471 percent for retailers. Drug resellers typically purchase drugs from the manufacturer and sell them directly to a retailer or health care provider.

Purpose: To provide tax relief to such firms that typically experience low profit margins and to encourage resellers of prescription drugs to locate in this state.

Category/Year Enacted: Business incentive. 1998 (effective July 1, 2001)

Primary Beneficiaries: Firms that warehouse and resell prescription drugs and their customers, including hospitals, physicians and health care clinics.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 14,020 $ 15,095 $ 16,253 $ 17,500
Local taxes - not considered.

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

04.290(1) INTERNATIONAL INVESTMENT MANAGEMENT SERVICES

Description: Firms engaged in providing management services for international investment are allowed a preferential B&O tax rate of 0.275 percent, compared with the general service rate of 1.5 percent (temporarily 1.8 percent).

Purpose: To retain international investment management services within the state. Such firms could easily move to a location outside of Washington.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: Approximately 60 firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 11,300 $ 11,753 $  9,818 $10,211
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although some firms could easily escape the tax by relocating outside the state.
82.04.290(3)  AEROSPACE PRODUCT DEVELOPMENT

Description: Firms engaged in performing aerospace product development for others are allowed a preferential B&O tax rate of 0.9 percent, rather than the general service rate of 1.5 percent (temporarily 1.8 percent). This special tax rate expires on July 1, 2024.

Purpose: To provide an incentive for firms that develop aerospace products, such as engineering firms and others who don’t engage in actual manufacturing or repair of commercial aircraft and therefore cannot take advantage of other aerospace incentives.

Category/Year Enacted: Business incentive. 2008

Primary Beneficiaries: Approximately 65 firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,392</td>
<td>$1,627</td>
<td>$1,230</td>
<td>$1,293</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.29002(2a)  TEMPORARY 0.3% RATE INCREASE, HOSPITALS

Description: The additional B&O service rate increase of 0.3 percent does not apply to persons engaging in business within this state as a hospital. The temporary rate increase was effective on May 1, 2010 and will expire on June 30, 2013.

Purpose: To assist hospitals.

Category/Year Enacted: Other business. 2010

Primary Beneficiaries: Approx. 112 hospitals.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$28,130</td>
<td>$30,875</td>
<td>$2,824</td>
<td>$0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**BUSINESS TAXES – DIFFERENTIAL RATES**

**82.04.29002(2b) TEMPORARY 0.3% RATE INCREASE, SCIENTIFIC RESEARCH**

**Description:** The additional B&O service rate increase of 0.3 percent does not apply to amounts received from performing scientific research and development services. This includes R&D in the physical, engineering and life sciences. The temporary rate increase was effective on May 1, 2010 and will expire on June 30, 2013.

**Purpose:** To support scientific research and development services.

**Category/Year Enacted:** Other business. 2010

**Primary Beneficiaries:** Approx. 45 firms engaged in eligible scientific research.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 440</td>
<td>$ 458</td>
<td>$ 40</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

---

**82.04.2905 CHILD CARE**

**Description:** Firms that are engaged in providing child care are allowed a preferential B&O tax rate of 0.484 percent, compared with the general services tax rate of 1.5 percent (temporarily increased to 1.8 percent). NOTE: child care provided by churches and the care of children up to the age of eight are exempt from B&O tax.

**Purpose:** To reduce the cost of this service for families and to reduce the tax burden for an industry with low profit margins and one which pays its employees very low wages.

**Category/Year Enacted:** Other business (or Individuals, assuming the benefit is passed on to families). 1998

**Primary Beneficiaries:** Approximately 1,200 firms providing child care report under this classification.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,204</td>
<td>$ 1,320</td>
<td>$ 1,087</td>
<td>$ 1,159</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BUSINESS TAXES – DIFFERENTIAL RATES

82.04.2906 TREATMENT OF CHEMICAL DEPENDENCY

Description: Taxpayers who provide intensive in-patient or residential recovery treatment services for chemical dependency are subject to B&O tax at a rate of 0.484 percent, rather than the general medical services rate of 1.5 percent (temporarily increased to 1.8 percent). The lower tax rate applies only to receipts from governmental sources. To qualify, the firm must be certified by the Department of Social and Health Services.

Purpose: To support the firms that provide such services.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: Firms that provide treatment for chemical dependency.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 45</td>
<td>$ 45</td>
<td>$ 35</td>
<td>$ 35</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.2907 ROYALTY INCOME

Description: Royalty income is subject to B&O tax at a rate of 0.484 percent, rather than the service rate of 1.5 percent (temporarily increased to 1.8 percent). This applies to authors, musicians and other recording artists, franchise fees, and royalties for patents, licenses, software and similar items.

Purpose: To clarify the treatment of royalty income and to recognize the mobility of these funds.

Category/Year Enacted: Other business. 1998

Primary Beneficiaries: Approximately 2,100 recipients of royalty payments in Washington.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 17,384</td>
<td>$ 17,407</td>
<td>$ 13,457</td>
<td>$ 13,464</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Based on service classification.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, but taxpayers would have greater incentive to receive royalties outside of this state.
82.04.2908  ADULT BOARDING HOMES

Description: A reduced tax rate is provided for adult boarding homes that are licensed under Chapter 18.20 RCW for income derived from provision of domiciliary care. Instead of the 1.5 percent service rate (temporarily increased to 1.8 percent), these homes are taxed at 0.275 percent.

Purpose: To make the taxation of such homes similar to the treatment of nursing homes.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Adult boarding homes.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  
<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 7,874</td>
<td>$ 7,874</td>
<td>$ 6,454</td>
<td>$ 6,325</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.2909  ALUMINUM SMELTING

Description: A reduced tax rate of 0.2904 percent applies to manufacturing and wholesaling of aluminum. This special tax rate expires on January 1, 2017.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  
There are fewer than three firms that benefit from this lower B&O tax rate; therefore the revenue impact cannot be stated publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.294 MANUFACTURING SOLAR ENERGY SYSTEMS

Description: The B&O tax rate on manufacturing of solar energy systems or the production of silicon components of these systems is 0.2904 percent until June 30, 2014, at which time it returns to the regular 0.484 percent manufacturing tax rate.

Purpose: A report by the Washington State University energy program recognized the solar electric industry as one of the state's important growth industries. The report indicates that additional incentives for the solar electric industry are needed in recognition of the unique forces and issues involved in business decisions in this industry.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Manufacturers of solar electric systems and silicon components.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Impact cannot be disclosed as there are fewer than three firms utilizing the credit.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.04.427  POLLUTION CONTROL CREDIT**

**Description:** A credit is allowed against B&O tax for up to 50 percent of the cost of required pollution control facilities. Up to 2 percent of the total credit may be taken each year.

**Purpose:** To encourage pollution control and to compensate Washington firms for the costs they incur to meet upgraded pollution standards.

**Category/Year Enacted:** Other business. 1967; new applications not allowed after 1981, except when pollution standards are upgraded.

**Primary Beneficiaries:** Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms applied for the B&O, public utility or use tax credits.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax*</td>
<td>$ 1,500</td>
<td>$ 1,500</td>
<td>$ 1,500</td>
<td>$ 1,500</td>
</tr>
</tbody>
</table>

Local taxes - not considered.

*Revenue impact includes credits taken pursuant to RCWs 82.16.045, 82.34.050, & 82.34.060.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, however taxpayers might argue that they have a vested right to credits currently being taken that were authorized under prior law. The credit could be rescinded for future upgraded pollution standards.

---

**82.04.4333  CREDIT FOR JOB TRAINING SERVICES**

**Description:** Twenty percent of the amount spent on job training by firms that are eligible for the rural county sales tax deferral/exemption program may be taken as a credit against B&O tax. The training must be designed to enhance job performance in a state-approved program which is sponsored or provided by the employer. The amount of credit for a particular firm is limited to $5,000 annually.

**Purpose:** To encourage firms in rural counties to employ local residents who may need training.

**Category/Year Enacted:** Business incentive. 1996

**Primary Beneficiaries:** Manufacturing and R&D firms in rural counties; since the inception of the program six firms have take the credit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** Due to confidentiality requirements, the impact of this tax credit 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? Yes.
82.04.434 TESTING AND SAFETY LABORATORIES

Description: The value of services and information provided to the state of Washington free of charge by a laboratory which tests products for public safety purposes may be credited against B&O tax liability. The laboratory must not be affiliated with any industry group and must be exempt from federal tax.

Purpose: To encourage a testing/safety laboratory of this type to locate in Washington and ensure that these services are available for the safety of Washington residents.

Category/Year Enacted: Business incentive. 1991

Primary Beneficiaries: One firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this tax credit 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? Yes.

82.04.440(2&3) MULTIPLE ACTIVITIES TAX CREDIT: INTRASTATE

Description: This credit assures that gross proceeds of sales or the value of products determined by such gross proceeds are taxed only one time when the activities occur in this state. For example, a business that manufactures a product and also sells the product at retail would receive a credit for taxes paid under the retailing activity.

Purpose: Until 1987 businesses were taxable under the B&O tax only under a single classification for income associated with a particular activity or product. In that year the U.S. Supreme Court ruled that Washington could not discriminate against firms operating on an interstate basis - intrastate activities were taxed only once whereas interstate activities could potentially be taxed twice. Part of the solution was to subject products produced and sold in the state to tax under both the production and selling categories, but to allow the tax on the production activity to be credited against the selling tax.

Category/Year Enacted: Commerce. 1987

Primary Beneficiaries: Approx. 5,300 businesses that conduct multiple activities in this state.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$143,000</td>
<td>$143,000</td>
<td>$143,000</td>
<td>$143,000</td>
</tr>
<tr>
<td>Local taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.04.440(4)  MULTIPLE ACTIVITIES TAX CREDIT: INTERSTATE**

**Description:** This credit assures that gross proceeds of sales or the value of products determined by such gross proceeds are taxed only one time when the activities occur both within this state and outside of the state. This credit is available only when the taxpayer is subject to a gross receipts tax similar to Washington’s B&O tax levied by a jurisdiction outside of Washington.

**Purpose:** Until 1987 businesses were taxable under the B&O tax only under a single classification for income associated with a particular activity or product. In that year the U.S. Supreme Court ruled that Washington could not discriminate against firms operating on an interstate basis - intrastate activities were taxed only once whereas interstate activities could potentially be subject to gross receipts tax in Washington and in the destination state. This 1985 statute was intended to meet a potential adverse Court ruling overturning Washington's gross receipts tax by allowing the other state's gross receipts tax to be credited against Washington's tax.

**Category/Year Enacted:** Commerce. 1985 and 1987

**Primary Beneficiaries:** Approximately 30 firms are currently taking this credit.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,259</td>
<td>$1,334</td>
<td>$1,364</td>
<td>$1,395</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, provided that the in-state multiple activities tax credits were also repealed (RCW 82.04.440(2&3)).
BUSINESS TAXES – CREDITS

82.04.4451 SMALL BUSINESS CREDIT

Description: This statute provides a credit against B&O tax due of up to $35 per month. Firms with computed B&O tax liability of $35 or less pay no tax. The credit amount is reduced as B&O tax liability exceeds $35 per month and is phased out completely when the tax liability reaches $70. In order to simplify calculation of the credit amount, 1997 legislation authorized the Department to prepare a credit table for use by all taxpayers, which applies the credit in $5 increments. In 2010, the program was amended to allow a $70 monthly credit for service businesses.

Purpose: To provide tax relief to small businesses and encourage the growth of new firms.

Category/Year Enacted: Other business. 1994

Primary Beneficiaries: About 220,000 firms benefit from this credit each year.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$45,100</td>
<td>$46,500</td>
<td>$49,000</td>
<td>$50,600</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4452 HIGH TECHNOLOGY RESEARCH & DEVELOPMENT TAX CREDIT

Description: A B&O tax credit is provided for qualified expenditures on research and development (R&D) by certain firms. Eligible firms must be engaged in one of five fields of high technology: advanced computing, advanced materials, biotechnology, electronic device technology or environment technology. The credit is allowed for eligible spending on R&D activities that exceeds 0.92 percent of the firm’s taxable income. Beginning in 2011, the credit is limited to 1.5 percent of eligible R&D spending and is capped at $2 million per year for each participating firm. The B&O tax credit for R&D expenditures is currently scheduled to expire on January 1, 2015.

Purpose: To stimulate the creation of high wage jobs in high technology industries and encourage firms to proceed from the R&D phase to actual manufacturing of new products.

Category/Year Enacted: Business incentive. 1994

Primary Beneficiaries: Approximately 500 firms utilized the credit each year.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$29,670</td>
<td>$31,040</td>
<td>$32,130</td>
<td>$16,630</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.44525  INTERNATIONAL SERVICES TAX CREDIT

**Description:** Firms engaged in certain international services are entitled to a B&O tax credit of $3,000 for each new job they create. Eligible activities are defined in the statute; they include services such as computer, legal, accounting, engineering, architectural, advertising, and financial services. To qualify, the firm must be located in a community empowerment zone or in a city or group of contiguous cities with a population of at least 80,000.

**Purpose:** To attract and retain businesses that provide services to international customers and create jobs.

**Category/Year Enacted:** Business incentive. 1998

**Primary Beneficiaries:** To date, 31 firms have utilized the credit.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$4</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>Local tax - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.04.4461  AEROSPACE PRODUCT DEVELOPMENT EXPENDITURES

**Description:** A B&O tax credit is allowed for qualified aerospace product development expenditures. The amount of credit is equal to 1.5 percent of qualified pre-production expenditures, including the costs to design a new manufacturing process, but not actual production-related costs. Manufacturers of commercial aircraft or components of commercial aircraft were allowed to take the tax credit for expenditures incurred after December 1, 2003. The credit was extended to non-manufacturers for expenditures after June 30, 2008. The credit is scheduled to expire on July 1, 2024.

**Purpose:** To encourage locating of a new assembly plant for a super-efficient aircraft in this state.

**Category/Year Enacted:** Business incentive. 2003, extended to non-manufacturers in 2008.

**Primary Beneficiaries:** Approximately 60 manufacturers of commercial airplanes or components.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$71,769</td>
<td>$83,762</td>
<td>$94,981</td>
<td>$99,849</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.04.4463 PROPERTY & LEASEHOLD TAX ON AIRPLANE FACILITIES**

**Description:** A B&O tax credit is allowed for state and local property taxes and leasehold excise taxes paid by manufacturers of commercial aircraft or components of such aircraft. The credit applies to: (1) property tax on new structures and the land upon which they are located; (2) property tax on the increased value that is attributable to renovation or expansion of existing facilities; and (3) personal property tax on eligible manufacturing machinery. Property taxes eligible for the credit are those paid on construction or acquisition of equipment made after the effective date of this statute. The credit is scheduled to expire on July 1, 2024.

**Purpose:** To encourage locating of a new assembly plant for a super-efficient aircraft in this state.

**Category/Year Enacted:** Business incentive. 2003

**Primary Beneficiaries:** Manufacturers of commercial airplanes or components of such airplanes.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,000</td>
<td>$ 4,000</td>
<td>$ 4,000</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

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

**82.04.447 NATURAL GAS FOR DSI CUSTOMERS**

**Description:** A credit against B&O tax is allowed for a direct service industry (DSI) firm that purchases electric power directly from the Bonneville Power Administration. The tax credit is equal to the amount of public utility tax paid on any natural gas purchased by the DSI to power a turbine in order to produce their own electric power. The tax credit lasts for 60 months and the firm must maintain its existing level of employment to take the credit.

**Purpose:** To encourage DSIs to continue manufacturing in Washington by constructing their own natural gas powered turbines after their BPA power contracts expire.

**Category/Year Enacted:** Business incentive. 2001

**Primary Beneficiaries:** To date, no firm has taken this tax credit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** None.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming some firms were actually taking the credit.
**BUSINESS TAXES – CREDITS**

**82.04.448 CREDIT FOR NEW SEMICONDUCTOR JOBS**

Description: A credit against B&O tax liability is allowed for manufacturers of semiconductor materials. The credit equals $3,000 for each new job located in a new structure of a firm that produces materials for manufacturing semiconductors. Credit is allowed for up to eight consecutive years. The credit will be contingent upon commencement of commercial operations at a new semiconductor microchip fabrication plant with an investment in new buildings and equipment of at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the credit does become effective, it is scheduled to expire 12 years after the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to this state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None to date.

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

**82.04.4481 PROPERTY TAX PAID ON ALUMINUM SMelters**

Description: Credit is allowed against state B&O tax liability for the amount of property taxes paid on aluminum smelters. Credits may be carried over for one year and do not accrue for property taxes levied for collection in 2017 and after.

Purpose: The aluminum industry is electricity intensive and was greatly affected by the dramatic increase in electricity prices which began in 2000. The intent is to preserve and restore family wage jobs by providing tax relief to the state's aluminum industry.


Primary Beneficiaries: Manufacturers of aluminum.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Due to confidentiality requirements, the impact of this tax credit 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? Yes.
BUSINESS TAXES – CREDITS

82.04.4482 PURCHASES OF POWER BY ALUMINUM SMELTERS

Description: Firms that are subject to B&O tax on sales of electricity, natural gas or manufactured gas are exempt from the tax on sales made to an aluminum smelter. As long as the contract price for the power stipulates that the tax savings will be passed on to the smelter via reduced prices, then the seller may take the exemption in the form of a tax credit. Most sellers of power are subject to the public utility tax, not the B&O. The B&O tax incentive applies principally to purchases of brokered natural gas.

Purpose: The aluminum industry is electricity intensive and was greatly affected by the dramatic increase in electricity prices which began in 2000. The intent is to preserve and restore family wage jobs by providing tax relief to the state's aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There are fewer than three firms that benefit from this B&O tax credit; therefore the revenue impact cannot be stated publicly.

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

82.04.4485 PATIENT LIFTING DEVICES FOR HOSPITALS

Description: Credit against B&O tax liability is provided for amounts spent on mechanical lifting devices or other equipment used to minimize patient handling. The credit is limited to $1,000 per acute care in-patient bed for the facility. A cap of $10 million applies to all credits taken under the program. Expenditures eligible for the credit must be made by December 30, 2010.

Purpose: To reduce injuries among patients and health care workers.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Given the cut-off date for the expenditures, it is assumed that the credits would all be taken prior to the start of FY 2012.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**BUSINESS TAXES – CREDITS**

### 82.04.4486 TAX PAID ON CARBONATED BEVERAGE SYRUP

**Description:** Chapter 82.64 RCW imposes a tax of $1.00 per gallon on syrup used to produce carbonated beverages (except syrup used to produce trademarked canned or bottled beverages). Receipts of that tax are deposited in the general fund (previously, the violence reduction and drug enforcement account). The B&O credit provides that the full amount of syrup tax paid starting in FY 2010 (following a phase in period) may be credited against B&O tax liability. Thus, the B&O tax credit has the effect of cancelling the syrup tax liability.

**Purpose:** To provide tax relief for firms that mix carbonated beverages.

**Category/Year Enacted:** Other business; 2006.

**Primary Beneficiaries:** Businesses that prepare and sell carbonated beverages for consumption on-premises (i.e., not canned or bottled) and firms that manufacture non-trademarked beverages.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 8,122</td>
<td>$ 8,281</td>
<td>$ 8,443</td>
<td>$ 8,608</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### 82.04.449 WORKFORCE TRAINING COSTS

**Description:** B&O tax credit is allowed for one-half of the costs of customized workforce training paid by employers to the State Board for Community Colleges. Credits are not allowable after July 1, 2016.

**Purpose:** To facilitate training of new employees for new or expanding firms.

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** A very small number of firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 33</td>
<td>$ 33</td>
<td>$ 33</td>
<td>$ 33</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

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

82.04.4494  FOREST BIOMASS

Description: B&O tax credit is allowed for each harvested green ton of forest-derived biomass that is sold, transferred or used for the production of electricity, steam, heat, or bio-fuel. The amount of the credit is phased in as follows: (1) harvests during FY 2011, FY 2012, and FY 2013 - $3.00 per ton; and (2) harvests during FY 2014 and FY 2015 - $5.00 per ton. Any unused excess credit may be carried forward to a future reporting period for a maximum of two years.

Purpose: To support the production of alternative fuels.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: The forest products industry.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$131</td>
<td>$131</td>
<td>$131</td>
<td>$131</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.62.030  NEW JOBS IN RURAL COUNTIES
82.62.045

Description: Credit against B&O tax liability is provided for manufacturing, R&D or computer service firms that create new jobs in rural counties or community empowerment zones. The definition of rural county for this tax incentive are those with an average population density of fewer than 100 persons per square mile or those that are smaller than 225 square miles (Island County). The amount of the tax credit is $2,000 for each new job created, unless the new position is paid wages and benefits of more than $40,000 annually in which case the credit is $4,000. To qualify the firm must increase its total jobs in an eligible area by at least 15 percent. The total amount of credit is capped at $7.5 million.

Purpose: To encourage firms to expand in rural areas.


Primary Beneficiaries: Approximately 20 applicants per year.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,016</td>
<td>$1,016</td>
<td>$1,016</td>
<td>$1,016</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.70.020  CREDIT FOR COMMUTE TRIP REDUCTION

Description: A credit against B&O tax is allowed for employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs. The amount of the tax credit is equal to one-half of the employer’s expenditure and is limited to $60 per employee per year. Any single firm may claim a maximum of $200,000 in credits each year, and the program is capped at $2.75 million annually for both B&O and public utility tax credits. The tax credit program is scheduled to expire on July 1, 2013.

Purpose: An incentive for employers to make financial incentives available to their employees to encourage car-pooling and reduction of air pollution, traffic congestion, and fuel consumption.

Category/Year Enacted: Other. 2003; cap increased in 2005.

Primary Beneficiaries: Approximately 430 companies participated in the program in 2010 (including both B&O and public utility tax credits)

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,784</td>
<td>$ 1,784</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.73.030  CONTRIBUTIONS TO COMMERCIAL AREA REVITALIZATION

Description: The Main Street program tax incentive in Chapter 82.73 RCW allows contributions to eligible nonprofit organizations to be credited against B&O or public utility tax liability.

Purpose: To encourage contributions to eligible nonprofit organizations devoted to revitalization of downtown or neighborhood commercial areas.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: Approximately 140 firms participate in the program each year.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 720</td>
<td>$ 749</td>
<td>$ 779</td>
<td>$ 810</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

35.58.560 METRO TRANSIT EXPENDITURES

Description: Metropolitan municipal corporations can credit or offset expenditures made for planning or performing the functions of public transportation against any state tax imposed on gross revenues derived from any authorized function.

Purpose: To support public transportation in King County.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: King County, which assumed the functions of the previous METRO jurisdiction in 1994 after the Municipality’s representation structure was ruled unconstitutional in 1990 and a vote of the electorate in 1992.

Possible Program Inconsistency: Other municipalities pay public utility tax on income associated with operating transportation systems – except for the deduction for income devoted to service improvements for low-income and elderly customers (RCW 82.16.050(14)).

Taxpayer Savings ($000)           FY 2012   FY 2013   FY 2014   FY 2015
State tax        $ 800     $ 840     $ 882     $ 926
Local taxes - not considered.

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

82.16.020(1d) URBAN TRANSPORTATION

Description: Firms that operate vehicles for public use to convey persons or property for hire either: (1) entirely within a city or with five miles of a city, or (2) between cities which are not more than five miles apart are subject to public utility tax at a rate of 0.642 percent. The tax rate for most other forms of transportation is 1.926 percent.

Purpose: To encourage the use of public transportation.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Local transit systems, taxi companies, intra-city delivery firms, etc.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)           FY 2012   FY 2013   FY 2014   FY 2015
State tax        $ 6,500   $ 6,500   $ 6,500   $ 6,500
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.020(1e)  VESSELS UNDER 65 FT. IN LENGTH

Description: Vessels which operate on Washington waters, except tugboats, are subject to public utility tax at a rate of 0.642 percent. This rate also applies to vessels for hire which are less than 65 feet in length. The tax rate for most other forms of transportation is 1.926 percent.

Purpose: To provide tax relief to water-borne transportation.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Companies which operate vessels.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 40</td>
<td>$ 40</td>
<td>$ 40</td>
<td>$ 40</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.020(1h)  TRANSPORTATION OF LOGS

Description: The transportation of logs over public highways is subject to public utility tax at a rate of 1.3696 percent. The tax rate for most other forms of transportation is 1.926 percent. Income derived from hauling logs over private roads remains subject to B&O tax under the service classification. The reduced tax rate for hauling logs on public highways expires on June 30, 2013.

Purpose: To support the forest products industry.

Category/Year Enacted: Other business. 2009

Primary Beneficiaries: The forest products industry.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 450</td>
<td>$ 450</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.040 MONTHLY INCOME LESS THAN $2,000

Description: The threshold for public utility tax liability is gross operating income of $2,000 per month. The exemption does not apply if income equals or exceeds $2,000 per month.

Purpose: To encourage new or small public utility businesses and for administrative convenience.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: The beneficiaries are small public service and utility firms. The number of beneficiaries is not known, because these small firms do not need to file tax returns.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,391</td>
<td>$ 1,461</td>
<td>$ 1,534</td>
<td>$ 1,611</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.0421 ELECTRICITY SOLD TO ELECTROLYTE PROCESSORS

Description: Exemption from public utility tax is provided for income received by a utility from the sale of electricity to a chlor-alkali or a sodium chlorate electrolytic processing business. The exemption expires on June 30, 2019 for all sales of electricity made after December 31, 2018.

Purpose: Supports the chemical industry which supplies the pulp and paper industry, principally sodium chlorate which is used in bleaching pulp for white paper products. Electricity is a prime raw material component in the processing of the product.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: One firm.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Only one firm currently utilizes this exemption and therefore the impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.045 POLLUTION CONTROL CREDIT
82.34.060(2)

Description: A credit against public utility tax is allowed for up to 50 percent of the installation cost of required pollution control facilities. Two percent of the allowable credit may be taken each year.

Purpose: To encourage pollution control and to compensate existing companies for the costs of meeting upgraded pollution standards.

Category/Year Enacted: Other business. 1967; new applications not allowable after 1981. However, previous beneficiaries can take the credit, if pollution standards are upgraded and new equipment is required.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries. A total of 151 firms have applied for the B&O, public utility or use tax credits. Eight firms utilized the credit in FY 2010.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The revenue impact is included under the B&O credit, RCW 82.04.427.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, however taxpayers might argue that they have a vested right to the credit. The credit could be rescinded for future equipment purchases.

82.16.047 COMMUTE TRIP REDUCTION; SPECIAL NEEDS TRANSPORTATION

Description: An exemption is allowed from public utility tax for funds received in conjunction with commuter ride-sharing (e.g., vanpools) and receipts by nonprofit social service organizations that provide transportation services for persons with special transportation needs.

Purpose: To promote ride sharing and conservation of fuel and to help relieve traffic congestion. Also to support programs that help to provide mobility for persons with special transportation needs.

Category/Year Enacted: Other. 1979

Primary Beneficiaries: Nonprofit transportation providers and public transportation systems that provide transportation services.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 430</td>
<td>$ 444</td>
<td>$ 457</td>
<td>$ 471</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.0491 RURAL ELECTRIC UTILITY CONTRIBUTIONS

**Description:** A credit against public utility tax is allowed for up to 50 percent of the contributions made to an electric utility rural economic development revolving fund by a light and power company. In order to qualify, the revolving fund must be for a rural county with an average population density of fewer than 100 persons per square mile. The light and power company must have fewer than 26 meters per mile of electric distribution line. Total tax credits are limited to $350,000 annually and the maximum a particular firm may take is $25,000. The right to earn new tax credits under this statute expired on June 30, 2011. However, eligible contributions made before this date may still be taken as tax credits subsequently.

**Purpose:** To encourage economic development in rural areas.

**Category/Year Enacted:** Other business. 1999

**Primary Beneficiaries:** Approximately 12 light and power companies were taking the credit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** This credit has now expired.

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

82.16.0495 POWER PURCHASED BY DSI CUSTOMERS

**Description:** A credit against public utility tax is provided for income from sales of electricity to direct service industries (DSIs), if the electric utility constructs a new power plant to supply the needs of the DSI firm. DSIs are firms that purchase electric power directly from the Bonneville Power Administration. The tax credit lasts for a 60 month period, and the benefit of the credit must be passed on to the DSI customer, as long as the DSI maintains existing employment levels for at least five years. Also, a 10 year contract to supply power to the DSI is required.

**Purpose:** To encourage DSI firms to continue manufacturing in Washington after their power supply contracts with BPA expire by switching to power from newly constructed power facilities.

**Category/Year Enacted:** Business incentive. 2001

**Primary Beneficiaries:** No firms are currently taking tax credit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** None currently.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.0497  CREDIT FOR LOW-INCOME BILLING DISCOUNTS

Description: A credit against public utility tax liability is allowed for 50 percent of the billing discounts provided to low-income households by light and power companies and natural gas distribution firms. The credit is limited to amounts in excess of 125 percent of the amounts provided in fiscal year 2000. The total of these credits for all firms is capped at $2.5 million annually.

Purpose: To encourage electric and gas companies to provide discounts to low-income customers.

Category/Year Enacted: Other business. 2001

Primary Beneficiaries: Approximately 26 firms utilize this tax credit.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,500</td>
<td>$ 2,500</td>
<td>$ 2,500</td>
<td>$ 2,500</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.0498  PURCHASES OF POWER BY ALUMINUM SMELTERS

Description: Income derived from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is exempt from public utility tax. The contract for the sale of the power must specify that the price charged will be reduced by the amount of the tax savings for the utility company. The exemption is taken in the form of a credit against the utility's public utility tax liability.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: The aluminum industry

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  Fewer than three firms take advantage of this credit and therefore the amount cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.050(1) RECEIPTS FROM TAXES

Description: A deduction from gross operating income subject to public utility tax is allowed for revenues received via local taxes levied by local governments for the support of municipally owned or operated public service businesses. This principally covers municipal water, sewer and transit systems. Although not explicitly stated in statute, the only taxes currently eligible for the deduction are property taxes collected by the municipal utility to pay for capital improvements.

Purpose: To eliminate the possibility of pyramiding by applying a state tax to amounts derived from local utility taxes.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Municipal utilities which finance utility capital construction through assessments or taxes levied on property.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 756</td>
<td>$ 756</td>
<td>$ 756</td>
<td>$ 756</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming that other statutory changes were made to extend tax to these amounts.

82.16.050(2) SALES FOR RESALE

Description: A deduction from gross operating income subject to public utility tax is allowed for sales made to other public utility firms that resell the commodity within the state. This deduction is allowed only with respect to water distribution, gas distribution or other public service businesses which furnish water, gas or any other commodity in the performance of a public service business.

Purpose: To avoid pyramiding of the public utility tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Natural gas and water utilities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,800</td>
<td>$ 2,800</td>
<td>$ 2,800</td>
<td>$ 2,800</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.050(3) JOINT UTILITY SERVICES

Description: A deduction from gross operating income subject to public utility tax is allowed for payments made to another public service firm relating to services provided jointly by both firms, as long as the payment is reported as taxable income by the firm making the payment and is subject to public utility tax by the firm that receives the payment.

Purpose: To eliminate pyramiding of the public utility tax.

Category/Year Enacted: Tax base. 1935

Primary Beneficiaries: Firms that jointly provide utility services to customers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 9,000</td>
<td>$ 9,360</td>
<td>$ 9,734</td>
<td>$10,123</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming the tax were intended to pyramid.

82.16.050(5) CREDIT LOSSES

Description: A deduction from gross operating income subject to public utility tax is allowed for the amount of losses resulting from nonpayment of accounts, as long as the taxpayers maintain their books on an accrual basis.

Purpose: To recognize that no income is actually received by the seller and to provide equity with taxpayers who maintain their books on the cash basis.

Category/Year Enacted: Other business. 1935

Primary Beneficiaries: Any firm that uses the accrual method of accounting and experiences unpaid debts.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,100</td>
<td>$ 2,100</td>
<td>$ 2,100</td>
<td>$ 2,100</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.050(6) IN-STATE PORTION OF INTERSTATE TRANSPORTATION

Description: A deduction is provided from the public utility tax for income the state is constitutionally prohibited from taxing. In general, instate trips (which originate and terminate in Washington) are fully subject to public utility tax. However, under current practice interstate carriers are not subject to the tax, even on the portion of the trip which occurs within this state. For example, income from a bus trip from Seattle to Spokane is subject to tax, but a trip from Seattle to Coeur d'Alene, Idaho is entirely exempt.

Purpose: This policy, codified in WAC 458-20-193D, reflects Commerce Clause jurisprudence at the time the 1935 Revenue Act was enacted. Then, the U.S. Supreme Court interpreted the Commerce Clause as barring a direct tax on gross receipts derived from interstate transportation. However, current Commerce Clause jurisprudence does not bar states from taxing the privilege of engaging in an interstate business. Notwithstanding, the Department has maintained the tax-exempt treatment of interstate transportation because of litigation risk, the lack of statutory provisions for apportioning the income, and the belief that the Legislature is in the best position to determine whether this exemption should be eliminated.

Category/Year Enacted: Commerce. 1935

Primary Beneficiaries: Interstate transportation companies and their passengers. NOTE: air transportation is excluded due to the U.S. Supreme Court decision in the 1983 Aloha Airlines case.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $29,113 $30,569 $31,792 $33,063
Local taxes - not considered.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, as long as the tax could be properly apportioned.
82.16.050(7)  IRRIGATION WATER

Description: A deduction from gross operating income subject to public utility tax is allowed for income derived from the distribution of water used for the purpose of irrigation. To qualify, the water must be distributed through an irrigation system.

Purpose: The original intent was to lower the cost of irrigation water for agricultural producers. However, irrigation systems are used for a variety of purposes, including golf courses, parks, landscaping and other nonagricultural uses.

Category/Year Enacted: Agriculture. 1935

Primary Beneficiaries: Approximately 46 irrigation districts and their customers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,142</td>
<td>$ 1,176</td>
<td>$ 1,211</td>
<td>$ 1,247</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.050(8)  INTERSTATE TRANSPORTATION - THROUGH FREIGHT

Description: In general, wholly instate trips (from one point in Washington to another) are subject to public utility tax. This deduction is for the instate portion of interstate shipments of goods, where the carrier authorizes the shipper to stop the shipment in Washington to store, manufacture, or process the goods, then continues to transport the same goods, or their equivalent, in the same or a converted form to the final destination noted under a through freight rate (also known as a through bill of lading). The deduction applies to transportation of goods by truck, rail and certain water transportation.

Purpose: The purpose appears to have been to extend the favorable tax treatment provided to interstate transportation that would otherwise qualify for that exemption except for a temporary stoppage of transit in this state.

Category/Year Enacted: Commerce. 1937

Primary Beneficiaries: Shippers of goods passing through the state.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) This statute is outdated and is no longer compatible with current Commerce Clause doctrine regarding interstate taxation. The taxpayer savings are included in other exemptions in RCW 82.16.050.
**PUBLIC UTILITY TAX**

### 82.16.050(9) SHIPMENTS TO PORTS

**Description:** A deduction from gross operating income subject to public utility tax is allowed for income derived from shipping products produced in Washington to export facilities in the state, including docks, wharfs and elevators, if the products are then shipped outside of the state in vessels. The deduction does not apply if the shipment occurs solely within the same city.

**Purpose:** The intent appears to be based on the 1930s era U.S. Supreme Court’s analysis and interpretation of federal Commerce Clause prohibitions. This interpretation held that taxing any portion of interstate transportation activities, even instate portions, was a burden on interstate commerce and therefore was unconstitutional. This interpretation is outdated and is no longer compatible with current Commerce Clause doctrine regarding interstate taxation.

**Category/Year Enacted:** Agriculture. 1937

**Primary Beneficiaries:** Firms that transport agricultural products to Washington ports.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)**

This statute is outdated and is no longer compatible with current Commerce Clause doctrine regarding interstate taxation. The taxpayer savings are included in other exemptions in RCW 82.16.050.

### 82.16.050(10) FARM PRODUCTS SHIPPED TO PORTS

**Description:** Public utility tax deduction is allowed for gross income derived from the transportation of agricultural commodities from point of origin in this state to interim storage facilities in this state for trans-shipment, without intervening transportation, to a marine export facility for shipment by vessel outside of the state. The deduction only applies if: (1) at least 96 percent of all agricultural commodities delivered by the person claiming the deduction during the preceding year was shipped by vessel in original form outside the state, and (2) any of the commodities that are trans-shipped from interim storage facilities to export facilities will be received at storage facilities operated by the same commodity dealer and will be shipped from such facilities by vessel in original form outside the state.

**Purpose:** Allows the Department to continue a long-standing administrative practice of not taxing income derived from hauling grain by truck to interim storage facilities for trans-shipment by barge or rail to export facilities, followed by subsequent transportation by vessel to interstate or foreign destinations.

**Category/Year Enacted:** Agriculture. 2007

**Primary Beneficiaries:** Persons who transport grain and other agricultural products.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,129</td>
<td>$ 1,157</td>
<td>$ 1,186</td>
<td>$ 1,216</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.16.050(11) ELECTRIC POWER THAT IS RESOLD OR EXPORTED

**Description:** A deduction from gross operating income subject to public utility tax is allowed for amounts derived from the production, sale or transfer of electrical energy for resale within or outside of the state or for consumption outside of the state.

**Purpose:** To reflect a court decision barring direct taxation of interstate power sales, and to avoid pyramiding of the tax on in-state sales of power for resale.

**Category/Year Enacted:** Tax base. 1989; expanded in 2000.

**Primary Beneficiaries:** Light and power businesses and power marketers.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 65,000</td>
<td>$ 65,000</td>
<td>$ 65,000</td>
<td>$ 65,000</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.050(12) NONPROFIT WATER ASSOCIATIONS

**Description:** A deduction from gross operating income subject to public utility tax is allowed for income derived from the distribution of water by a nonprofit water association, if the income is used for capital improvements of the association.

**Purpose:** To promote capital improvements and expansion of water distribution systems.

**Category/Year Enacted:** Nonprofit - other. 1977

**Primary Beneficiaries:** Nonprofit water associations and their members.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 360</td>
<td>$ 360</td>
<td>$ 360</td>
<td>$ 360</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
### 82.16.050(13) DISPOSAL OF SEWERAGE

**Description:** A deduction from gross operating income subject to public utility tax is allowed for amounts paid to other firms for the treatment or disposal of sewerage. Public utility tax applies only to the actual collection of sewerage, not processing (these activities are subject to B&O tax). If the firm that collects the sewerage contracts with other firms for treatment and disposal services, the amounts paid to these firms are deductible.

**Purpose:** To ensure that public utility tax applies only to the collection activity.

**Category/Year Enacted:** Tax base. 1987

**Primary Beneficiaries:** Sewerage collection firms.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$7,427</td>
<td>$7,798</td>
<td>$8,188</td>
<td>$8,597</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### 82.16.050(14) TRANSIT IMPROVEMENTS FOR LOW-INCOME/ELDERLY

**Description:** A deduction from gross operating income subject to public utility tax is allowed for income derived from fees or charges imposed for transit services provided by a public transportation agency, as long as the transit agency uses the amount deducted to adjust routes to improve access for citizens to food banks and senior services and add new routes to assist low-income citizens.

**Purpose:** To promote better transit services for low-income and elderly persons.

**Category/Year Enacted:** Government. 2006

**Primary Beneficiaries:** Public transportation agencies.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$410</td>
<td>$410</td>
<td>$410</td>
<td>$410</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.16.053 ELECTRIC POWER SOLD IN RURAL AREAS**

*Description:* A deduction from gross operating income subject to public utility tax is allowed for light and power businesses whose customers are geographically dispersed. The amount of the deduction is based on the number of customers per mile of distribution line or the relationship between the firm’s average electric power rate in comparison with the state average rate. The maximum deduction for a firm is equal to $400,000 per month.

*Purpose:* To reduce the cost of providing electricity to areas with geographically dispersed customers.

*Category/Year Enacted:* Other business. 1994; deductible amounts increased in 1996.

*Primary Beneficiaries:* Public utility districts, power and light cooperatives and rural electric associations and their customers.

*Possible Program Inconsistency:* None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,300</td>
<td>$ 1,300</td>
<td>$ 1,300</td>
<td>$ 1,300</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

---

**82.16.055 COGENERATION AND RENEWABLE RESOURCES**

*Description:* A deduction from gross operating income subject to public utility tax is allowed for the cost of producing energy through: (1) cogeneration facilities as defined in RCW 82.35.020, or (2) renewable energy resources such as solar energy, wind, hydroelectric, wood, and agricultural products. The deduction is also allowed for expenditures to reduce or improve the efficiency of energy use by consumers. The deduction applies only to new facilities or measure to improve energy use on which construction or installation began after June 12, 1980 and before January 1, 1990. The deduction for cogeneration facilities is allowed for a period of up to 30 years.

*Purpose:* To encourage investment in cogeneration facilities and the use of renewable energy resources.

*Category/Year Enacted:* Business incentive. 1980

*Primary Beneficiaries:* Two light and power firms are using this deduction.

*Possible Program Inconsistency:* None evident.

*Taxpayer Savings ($000)* Since fewer than three taxpayers utilize this incentive, the amount of taxpayer savings cannot be publicly disclosed.

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

82.16.130  RENEWABLE ENERGY RESOURCES

Description: A credit against public utility tax liability is provided for light and power businesses for amounts paid to customers as investment cost recovery incentives. These incentives are allowed pursuant to RCW 82.16.120 for investment in renewable energy systems. The credit may not exceed one-half of one percent of the firm’s taxable power sales or $100,000 whichever is greater. Incentive payments to participants in a company-owned solar project may only account for up to 5 percent of the total credit. The tax credit will expire on June 30, 2020.

Purpose: To encourage investment in renewable energy resources.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Light and power companies that make payments to customers via this program.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,049</td>
<td>$ 1,364</td>
<td>$ 1,773</td>
<td>$ 2,305</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.16.300  HAULING FARM PRODUCTS FOR RELATIVES

Description: Exemption from public utility tax is provided for income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal.

Purpose: To provide tax relief for persons who haul farm products for their relatives.

Category/Year Enacted: Agriculture. 2007

Primary Beneficiaries: Persons who haul farm products for their relatives.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The situations where this exemption would be applicable is believed to be quite rare. While the impact cannot be quantified, it is likely minimal.

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

82.70.020  CREDIT FOR COMMUTE TRIP REDUCTION

Description: A credit against public utility tax is allowed for employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs. The amount of the tax credit is equal to one-half of the employer's expenditure and is limited to $60 per employee per year. Any single firm may claim a maximum of $200,000 in credits each year, and the program is capped at $2.75 million annually for both B&O and public utility tax credits. The tax credit program is currently scheduled to expire on July 1, 2013.

Purpose: To provide an incentive for employers to give financial incentives to employees to encourage car-pooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

Category/Year Enacted: Other. 2003 (cap increased in 2005)

Primary Beneficiaries: Approximately 430 companies participated in the program in 2006 (including both B&O and public utility tax credits).

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$93</td>
<td>$93</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Local taxes - not considered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.73.030  CONTRIBUTIONS TO COMMERCIAL AREA REVITALIZATION

Description: The Main Street program tax incentive in Chapter 82.73 RCW allows contributions to eligible nonprofit organizations to be credited against B&O or public utility tax liability.

Purpose: To encourage contributions to eligible nonprofit organizations with a mission to revitalize downtown or neighborhood commercial areas.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: None to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Because fewer than three taxpayers have utilized the credit with respect to public utility tax liability, the taxpayer savings cannot be disclosed publicly.

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

Description: Title insurance companies are exempt from the 2.0 percent insurance premiums tax. However, they do pay B&O tax under the retailing classification and collect retail sales tax from their customers.

Purpose: To reflect the fact that title insurance is subject to retail sales tax.

Category/Year Enacted: Tax base. 1947

Primary Beneficiaries: Approximately 52 title insurance companies.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 5,124</td>
<td>$ 5,278</td>
<td>$ 5,437</td>
<td>$ 5,654</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes. However, there would be a net reduction in tax if the activity were switched from B&O/retail sales tax.

48.14.020(3)  RATE FOR OCEAN MARINE INSURANCE

Description: Insurance premiums tax is levied at a rate of 0.95 percent on the gross underwriting profit of ocean marine and foreign trade insurers, rather than the 2.0 percent rate paid by other domestic and foreign insurers. Furthermore, these insurers pay premiums tax on much smaller taxable income than do other insurers, because losses can be deducted from premium income.

Purpose: To support ocean marine commerce.

Category/Year Enacted: Business incentive. 1947

Primary Beneficiaries: Companies that provide ocean marine and foreign trade insurance.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,818</td>
<td>$ 1,827</td>
<td>$ 1,836</td>
<td>$ 1,845</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
OTHER BUSINESS TAXES – INSURANCE PREMIUMS TAX

48.14.0201(6a) MEDICARE RECEIPTS

Description: Health maintenance organizations (HMOs) and health care service contractors (HCSCs) are exempt from premiums tax on Medicare payments received from the federal government.

Purpose: To reduce the cost of providing health care for Medicare patients.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HMOs and HCSCs that provide coverage for Medicare patients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$37,050</td>
<td>$38,902</td>
<td>$40,847</td>
<td>$42,889</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

48.14.0201(6b) WASHINGTON BASIC HEALTH CARE RECEIPTS

Description: General Assistance Unemployable (GAU) medical care receipts and Basic Health Care premiums are exempt from insurance premiums tax.

Purpose: To avoid taxing receipts from state sources.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HCSCs that provide benefits to recipients of GAU and Basic Health assistance.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$5,047</td>
<td>$5,097</td>
<td>$5,148</td>
<td>$5,200</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
48.14.0201(6c)  DENTISTRY

Description: Health care service contractors (HCSCs) are exempt from insurance premiums tax on amounts received from dental plans.

Purpose: To reduce the cost of providing dental coverage.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HCSCs that provide dental benefits.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$11,387</td>
<td>$11,729</td>
<td>$12,081</td>
<td>$12,443</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

48.14.021  PENSIONS, ANNUITIES, PROFIT-SHARING PLANS

Description: Premiums received from policies or contracts issued in connection with a pension, annuity, or profit-sharing plan which is qualified under the Internal Revenue Code are exempt from insurance premiums tax. Most of the revenue impact is associated with annuities; insurance companies receive little income related to pensions or profit-sharing plans.

Purpose: To support pensions, annuities and profit-sharing plans.

Category/Year Enacted: Tax base. 1963

Primary Beneficiaries: Insurance companies involved with these products.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$83,412</td>
<td>$83,829</td>
<td>$84,667</td>
<td>$85,514</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
48.14.022 HEALTH INSURANCE BY WASHINGTON STATE POOL

Description: Any carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool pursuant to Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, this statute allows carriers, health care service contractors and HMOs to deduct from taxable premiums any assessments paid to the Washington State Health Insurance Pool.

Purpose: To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered as high risk.

Category/Year Enacted: Other business. 1987

Primary Beneficiaries: Persons who obtain coverage under the Health Insurance Coverage Access Act.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$908</td>
<td>$917</td>
<td>$926</td>
<td>$935</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although this could cause insurers to pass the amount of the assessment on to their regular policy holders and thereby make health insurance more expensive for the general population.

48.32.145 INSURANCE GUARANTEE ASSOCIATION ASSESSMENTS

48.32A.125

Description: Assessments made by the Washington Insurance Guarantee Association against property, casualty, life and disability insurers to pay claims made against insolvent insurers may be credited against the firm’s insurance premiums tax. Allowable credits may be taken over a five year period.

Purpose: To ensure that claims against insolvent insurance companies are paid and that the cost is not borne by the policyholders of the surviving companies.

Category/Year Enacted: Other business. 1976

Primary Beneficiaries: Insurance companies.

Possible Program Inconsistency: The state does not normally become involved in payment of debts of private firms.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$7,430</td>
<td>$7,652</td>
<td>$7,882</td>
<td>$8,197</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
OTHER BUSINESS TAXES – INSURANCE PREMIUMS TAX

48.36A.240  FRATERNAL BENEFIT SOCIETIES

Description: Fraternal benefit societies are governed by Chapter 48.36A RCW; they are exempt from all Washington State insurance laws. This statute exempts such societies from state and local taxation other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

Purpose: To support the programs of these organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1947; re-codified in 1987.

Primary Beneficiaries: Approximately 24 nonprofit, mutual organizations and their members.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3,769</td>
<td>$ 3,920</td>
<td>$ 4,077</td>
<td>$ 4,240</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
67.16.105(1) NONPROFIT RACES

Description: Pari-mutuel tax does not apply to horse race events which are nonprofit in nature and do not last longer than 10 days annually.

Purpose: To support nonprofit horse race events.


Primary Beneficiaries: Operators of nonprofit horse race events.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 15</td>
<td>$ 15</td>
<td>$ 15</td>
<td>$ 15</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
OTHER BUSINESS TAXES – LITTER TAX

82.19.050(1) PRODUCTS SHIPPED OUT OF STATE

Description: Exemption from the 0.015 percent litter tax is provided for products which are manufactured in or sold from a location in this state but are for use or consumption outside of the state.

Purpose: To recognize that litter tax is typically associated with the consumption of products and the consumption of such products occurring outside of Washington should therefore not be taxed

Category/Year Enacted: Tax base. 1992

Primary Beneficiaries: Approximately 2,100 firms that pay litter tax.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 720</td>
<td>$ 748</td>
<td>$ 778</td>
<td>$ 809</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.19.050(2) AGRICULTURAL PRODUCTS

Description: Exemption from litter tax is provided for agricultural crops and animals that are produced by farmers for sale at wholesale.

Purpose: To recognize that food products sold at wholesale are not generally associated with significant amounts of litter.

Category/Year Enacted: Agriculture. 1971

Primary Beneficiaries: Farmers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 982</td>
<td>$ 982</td>
<td>$ 982</td>
<td>$ 982</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.19.050(3)  GROCERY COOPERATIVES

Description: Products sold by a qualified grocery cooperative to its members are not subject to litter tax.

Purpose: To reflect the fact that title to the goods remains with the cooperative and an actual sale does not take place.

Category/Year Enacted: Business incentive. 2001

Primary Beneficiaries: It is believed that a single cooperative benefits from this exemption.

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? Yes.

82.19.050(4)  FOOD & BEVERAGES CONSUMED ON-PREMISES

Description: Sales of food and drink are exempt from litter tax for restaurants and other eating and drinking establishments. To qualify for the exemption, the food and beverages must be consumed on the premises of the seller or at an adjacent, indoor eating area (e.g., food court at a mall).

Purpose: To recognize that food and drinks consumed on the premises of the seller generally do not contribute to the litter problem.

Category/Year Enacted: Tax base. 2003

Primary Beneficiaries: Approximately 10,800 restaurants and other eating/drinking establishments.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 648</td>
<td>$ 654</td>
<td>$ 661</td>
<td>$ 667</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.19.050(5) CATERERS

**Description:** Exemption from litter tax is allowed for catered food and beverages provided in non-single use containers, served for immediate consumption at premises which are controlled by the customer.

**Purpose:** To relieve caterers from the litter tax.

**Category/Year Enacted:** Other business. 2005

**Primary Beneficiaries:** Approximately 180 food service and catering businesses

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2</td>
<td>$ 2</td>
<td>$ 2</td>
<td>$ 2</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.21.040(1)  SUCCESSIVE USES OF HAZARDOUS SUBSTANCES

Description: Exemption from hazardous substance tax is allowed for any substances which were previously subject to the tax.

Purpose: To ensure that the tax applies only to the first possession of these products within the state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Subsequent users of hazardous substances.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 82,932</td>
<td>$ 84,441</td>
<td>$ 84,262</td>
<td>$ 82,899</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however this would change the nature of the first-possession tax.

82.21.040(3)  MINIMAL AMOUNT OF HAZARDOUS SUBSTANCES

Description: Possession of minimal amounts of hazardous substances, determined by the Department of Ecology to be less than $1,000 in wholesale value, is exempt from the tax, if the substance is held by a retailer for sale to consumers. The exemption does not apply to pesticides or petroleum products.

Purpose: To avoid undue tax burden on retailers of small amounts of hazardous substances.

Category/Year Enacted: Other business. 1989

Primary Beneficiaries: Approx. 1,000 retailers whose principal business is not selling hazardous substances.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$   7</td>
<td>$   7</td>
<td>$   8</td>
<td>$   8</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however this would change the nature of the first-possession tax.
82.21.050(1) FUEL EXPORTED IN VEHICLE FUEL TANKS

**Description**: Credit is allowed against the hazardous substance tax for tax previously paid by a taxpayer, who subsequently exports the product outside the state in the fuel tank of an airplane, ship truck or other vehicle.

**Purpose**: To ensure that the tax applies only to products that are actually used within the state.

**Category/Year Enacted**: Tax base. 1989

**Primary Beneficiaries**: Approx. one dozen firms that have previously paid the tax and use petroleum products to power vehicles engaged in export activities.

**Possible Program Inconsistency**: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 15,187</td>
<td>$ 15,248</td>
<td>$ 15,568</td>
<td>$ 15,988</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although it could be argued that the products were used in interstate commerce.
82.23A.010(1)  EXCLUSION OF CRUDE OIL

Description: The definition of petroleum products includes a variety of products derived from crude oil but excludes crude oil itself.

Purpose: To avoid taxing both the products and the substance from which they are derived.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Refineries.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.010(1)  EXCLUSION OF LIQUIFIED GASSES

Description: Originally, the tax applied to liquefied or liquefiable gasses such as propane and butane, but these were removed from the definition of taxable products in 2004.

Purpose: Presumably fuel in a gaseous state does not impose as much risk to the environment.

Category/Year Enacted: Other business. 2004

Primary Beneficiaries: Manufacturers of fuel gas.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.
82.23A.030(1)  SUCCESSIVE USES OF PETROLEUM

Description: Successive possession of petroleum products that were previously subject to the 0.5 percent petroleum products tax is exempt from the tax.

Purpose: The tax is intended to apply only to the first use of petroleum products within the state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Wholesalers, distributors and retails of petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.030(5)  FUEL USED IN PROCESSING

Description: Exemption from petroleum products tax is provided for natural gas, petroleum coke, liquid fuel, or fuel gas that is used in processing of petroleum products.

Purpose: To exclude fuels that are consumed in processing and restrict the tax to products that are ultimately sold at retail.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Petroleum refiners.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.
OTHER BUSINESS TAXES – PETROLEUM PRODUCTS TAX

82.23A.030(6)  EXPORTED PETROLEUM PRODUCTS

Description: Petroleum products that are exported for use outside of Washington are exempt from tax.

Purpose: The tax is intended to apply only to products ultimately used in this state.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Petroleum exporters.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

82.23A.040(1)  PETROLEUM IN VEHICLE FUEL TANKS

Description: A credit is allowed against the petroleum products tax for fuel that is exported from the state in the fuel tank of any vehicle, including airplanes, ships or trucks.

Purpose: The tax is paid upon the first use of the products in Washington which have the potential to cause environmental damage. It is presumed that once fuel is deposited into vehicle fuel tanks that the risk to the environment is significantly reduced.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Refiners and wholesalers who deliver their products outside the state.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.
82.23B.030  SECONDARY TRANSPORTATION

Description: Exemption from the oil spill tax is provided for transportation or off-loading of the same products after the initial off-loading in Washington.

Purpose: The tax is intended to apply only to the initial off-loading of crude oil or petroleum products in Washington.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Washington refiners and manufacturers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Minimal. In order for this exemption to be applicable, the oil would have to be off-loaded in Washington from a vessel, reloaded onto another vessel and then off-loaded a second time in the state.

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

82.23B.045  CREDIT FOR NONFUEL USES

Description: A credit against the oil spill tax is allowed for any oil spill tax previously paid on crude oil or petroleum products which are not ultimately used as fuel or are used in a manufacturing process.

Purpose: To ensure that the tax applies only to crude oil or petroleum that is ultimately used as fuel.

Category/Year Enacted: Tax base. 1991

Primary Beneficiaries: Manufacturers and consumers of crude oil and petroleum products.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  

<table>
<thead>
<tr>
<th>State tax</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 195</td>
<td>$ 194</td>
<td>$ 194</td>
<td>$ 193</td>
</tr>
</tbody>
</table>

Local taxes - none.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.27.010 TUNA, MACKEREL & JACK FISH

Description: Exemption from the enhanced food fish tax is allowed for tuna, mackerel and jack fish.

Purpose: To reflect economic conditions facing fishers of tuna, mackerel and jack fish and possibly the fact that albacore tuna have a vast migratory range and are largely caught in international waters.

Category/Year Enacted: Other business. 1995

Primary Beneficiaries: Fishers of tuna, mackerel and jack fish.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 289</td>
<td>$ 289</td>
<td>$ 289</td>
<td>$ 289</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.27.020(4) DIFFERENTIAL FISH TAX RATES

Description: The tax on enhanced food fish consists of five different tax rates (including surtax): (1) Chinook, Coho and chum salmon and steelhead, 5.62 percent; (2) pink and sockeye salmon, 3.37 percent; (3) oysters, 0.09 percent; (4) sea urchins and cucumbers, 4.922 percent through 2013 and 2.247 percent starting in 2011; and (5) all other food fish and shellfish, 2.247 percent.

Purpose: To reflect market conditions for the various types of fish.

Category/Year Enacted: Other business. 1980

Primary Beneficiaries: Fishers of the species that are subject to the lower tax rates.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,432</td>
<td>$ 2,432</td>
<td>$ 2,432</td>
<td>$ 2,432</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The estimate is based on increasing all lower tax rates to 5.62 percent.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although this would represent a very large increase in tax for the lower rate categories, especially oysters.
82.27.030(1 & 3)  IMPORTED FISH OR FISH PRODUCTS

Description: Exemptions are provided for: (1) enhanced food fish originating outside of Washington that enters the state either frozen or packaged for retail sale; and (2) food fish, shellfish, anadromous game fish, and by-products of part of food fish which are shipped from outside of the state.

Purpose: The tax is not intended to apply to fish that are originally landed in another state or are packaged and processed for retail sale outside the state.

Category/Year Enacted: Tax base. 1980

Primary Beneficiaries: Importers of frozen or packaged fish.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 9,620</td>
<td>$ 9,927</td>
<td>$10,244</td>
<td>$10,571</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly; however, eliminating the exemption might trigger a Commerce Clause or Import-Export Clause challenge.

82.27.030(2)  COMMERCIALLY GROWN FISH & SHELLFISH

Description: Food fish that are raised from eggs and shellfish grown by agricultural methods are exempt from fish tax.

Purpose: The tax is not intended to apply to commercially produced fish and shellfish.


Primary Beneficiaries: Commercial producers of food fish and shellfish.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,944</td>
<td>$ 2,944</td>
<td>$ 2,944</td>
<td>$ 2,944</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**OTHER BUSINESS TAXES – SOFT DRINKS SYRUP TAX**

82.64.030(1) **SUCCESSIVE POSSESSION**

**Description:** Successive sales of concentrated syrup used to produce carbonated beverages upon which the tax was previously paid are exempt from the soft drinks syrup tax.

**Purpose:** To avoid pyramiding of the tax. This exemption assures that the tax will apply only once to the same syrup.

**Category/Year Enacted:** Tax base. 1989

**Primary Beneficiaries:** Purchasers of syrup upon which tax has already been paid.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** Minimal. There are no data on successive sales of previously taxed syrup, but it is believed that most syrup is actually used by the firm that pays the tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however any revenue realization might be offset by a corresponding reduction in revenues from the B&O tax credit provided by RCW 82.04.4486 for syrup taxes paid by the buyer.

82.64.030(3) **TRADEMARKED SYRUP THAT IS RESOLD**

**Description:** Wholesale sales of trademarked carbonated beverage syrup are exempt from the syrup tax, if the syrup is sold to a bottler who is appointed by the owner of the syrup trademark to manufacture, distribute and sell the syrup. Ordinarily, the bottler of trademarked syrup uses the syrup to produce canned or bottled soft drinks; such syrup is subject to the syrup tax. But in instances where the bottler, in turn, sells the syrup to another bottler or retailer this exemption applies to the transaction, because the tax will be owed by the second purchaser of the syrup.

**Purpose:** To shift the tax from the bottler to the next purchaser of the trademarked syrup, so that the tax will only be paid once on each gallon of syrup.

**Category/Year Enacted:** Tax base. 1991

**Primary Beneficiaries:** Bottlers of trademarked beverages.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** None; the tax is simply shifted to the next purchaser. In any case, the volume of sales of syrup by trademarked bottlers to other bottlers or retailers is not known.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however any revenue realization might be offset by a corresponding reduction in revenues from the B&O tax credit provided by RCW 82.04.4486 for syrup taxes paid by the buyer.
82.04.050(3e)  FARM HORTICULTURAL SERVICES

Description: Horticultural services provided to farmers are excluded from the definition of retail sale. These include services related to the cultivation of vegetables, fruits, grains, field crops, ornamental floriculture, and nursery products, as well as soil preparation, crop cultivation and harvesting services.

Purpose: To support the agricultural industry. When the retail sales tax was extended to landscaping and horticultural services in 1993, this exemption was enacted to exclude such services provided to farmers.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers and firms that provide horticultural services for them.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 5,200</td>
<td>$ 5,200</td>
<td>$ 5,200</td>
<td>$ 5,200</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,290</td>
<td>$ 1,290</td>
<td>$ 1,290</td>
<td>$ 1,290</td>
</tr>
</tbody>
</table>

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

82.04.050(9)  FEED AND SEED

Description: Sales of feed and seed are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. The same statute exempts feed and seed sold to landowners that participate in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington State Department of Fish and Wildlife.

Purpose: To support the agricultural industry. Also it could be argued that feed and seed are similar to component parts (and therefore are purchased for resale), because they are absorbed into or become an integral part of an agricultural product.


Primary Beneficiaries: Farmers and the vendors who supply feed and seed to them.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 58,410</td>
<td>$ 59,580</td>
<td>$ 60,770</td>
<td>$ 61,990</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 14,450</td>
<td>$ 14,470</td>
<td>$ 15,030</td>
<td>$ 15,340</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.050(9) FERTILIZER AND CHEMICAL SPRAY

Description: Sales of fertilizer, spray materials including pesticides, and chemical sprays and washes for the post-harvest treatment of fruit are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. The same statute exempts fertilizer and spray sold to landowners that participate in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington State Department of Fish and Wildlife.

Purpose: To support the agricultural industry. Also it could be argued that fertilizer is similar to a component part (and therefore are purchased for resale), because it is absorbed into or becomes an integral part of an agricultural product.


Primary Beneficiaries: Agricultural producers.

Possible Program Inconsistency: The sales tax exemption helps to encourage the use of fertilizers and chemical sprays in agriculture. However, Chapter 70.95C RCW implements a program directed toward reduction of hazardous substances, which can include agricultural fertilizers and pesticides that have adverse environmental impacts.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$57,920</td>
<td>$60,810</td>
<td>$63,850</td>
<td>$67,050</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$14,350</td>
<td>$15,060</td>
<td>$16,820</td>
<td>$16,610</td>
</tr>
</tbody>
</table>

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

82.04.050(9) POLLINATION AGENTS

Description: Bees which are purchased by farmers for pollination purposes are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity. (Most pollination is performed by honey bees which are rented, not sold, to farmers by bee keepers. Leaf-cutter bees are the principal pollination agent that are purchased.)

Purpose: To aid the agricultural industry and make the tax treatment uniform for all types of pollination.

Category/Year Enacted: Agriculture. 1993

Primary Beneficiaries: Farmers that purchase leaf-cutter bees for pollination purposes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
</tr>
</tbody>
</table>

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

Description: Items purchased for the production of plantation Christmas trees are exempt from retail sales/use tax because plantation Christmas trees are included in the definition of agricultural products in RCW 82.04.213 and such items are excluded from the definition of retail sale in RCW 82.04.050(9).

Purpose: To recognize that production of Christmas trees is similar to other agricultural products.

Category/Year Enacted: Agriculture. 1987

Primary Beneficiaries: Approximately 250 growers of plantation Christmas trees.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 449</td>
<td>$ 449</td>
<td>$ 449</td>
<td>$ 449</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 167</td>
<td>$ 167</td>
<td>$ 167</td>
<td>$ 167</td>
</tr>
</tbody>
</table>

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

82.08.0204  HONEY BEES

Description: Exemption from retail sales/use tax is provided for the purchase of honey bees by eligible apiarists. This exemption is schedule to expire on July 1, 2013.

Purpose: To provide tax relief to apiarists that purchase honey bees.

Category/Year Enacted: Agriculture. 2008

Primary Beneficiaries: Apiarists.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4</td>
<td>$ 4</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0257  FARM AUCTION SALES
82.12.0258

Description: Exemption from retail sales/use tax is provided for sales of tangible personal property which has been used in a farm activity, if the sale is made by through an auctioneer. The seller must be a farmer and the sale must be conducted on a farm.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1943

Primary Beneficiaries: Farmers who sell machinery and other personal property at farm auctions, as well as the purchasers of such items.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,475</td>
<td>$ 2,786</td>
<td>$ 2,865</td>
<td>$ 2,955</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 610</td>
<td>$ 690</td>
<td>$ 710</td>
<td>$ 730</td>
</tr>
</tbody>
</table>

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

82.08.0259  BREEDING LIVESTOCK AND CATTLE
82.12.0261

Description: Sales of livestock for breeding purposes and sales of cattle and milk cows used on a farm are exempt from retail sales/use tax.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1945

Primary Beneficiaries: Farmers who use breeding livestock, dairy producers and cattle ranchers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 8,155</td>
<td>$ 8,318</td>
<td>$ 8,485</td>
<td>$ 8,654</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 2,258</td>
<td>$ 2,304</td>
<td>$ 2,350</td>
<td>$ 2,397</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0267  POULTRY
82.12.0262

Description: Poultry used for producing poultry or poultry products are exempt from retail sales/use tax.

Purpose: To support the agricultural industry.

Category/Year Enacted: Agriculture. 1961

Primary Beneficiaries: Producers of poultry and poultry products.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 165</td>
<td>$ 168</td>
<td>$ 172</td>
<td>$ 175</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 41</td>
<td>$ 42</td>
<td>$ 43</td>
<td>$ 43</td>
</tr>
</tbody>
</table>

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

82.08.0272  SEMEN
82.12.0267

Description: Semen used for artificial insemination of livestock is exempt from retail sales/use tax.

Purpose: To support the agricultural industry. An argument could also be made that such products constitute a component part of other products being produced for sale and thus are sales for resale.

Category/Year Enacted: Agriculture. 1965

Primary Beneficiaries: Ranchers who purchase semen for artificial insemination of livestock.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 260</td>
<td>$ 260</td>
<td>$ 260</td>
<td>$ 260</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 64</td>
<td>$ 64</td>
<td>$ 64</td>
<td>$ 64</td>
</tr>
</tbody>
</table>

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

Description: Exemption from retail sales/use tax is provided for goods and services used in constructing, repairing, or improving of new or existing structures used as agricultural employee housing. Ownership of the housing facility may be by agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public.

Purpose: To encourage construction of housing facilities for agricultural employees.

Category/Year Enacted: Agriculture. 1996

Primary Beneficiaries: Farmers and others who build housing facilities for farm workers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 550</td>
<td>$ 550</td>
<td>$ 550</td>
<td>$ 550</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 140</td>
<td>$ 140</td>
<td>$ 140</td>
<td>$ 140</td>
</tr>
</tbody>
</table>

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

POLLEN

Description: Sales of pollen are exempt from retail sales/use tax.

Purpose: To support the agricultural and horticultural industry.

Category/Year Enacted: Agriculture. 1967.

Primary Beneficiaries: Buyers and sellers of pollen.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 22</td>
<td>$ 22</td>
<td>$ 22</td>
<td>$ 22</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 6</td>
<td>$ 6</td>
<td>$ 6</td>
<td>$ 6</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0288  LEASED IRRIGATION EQUIPMENT
82.12.0283

Description: Leases of irrigation equipment are exempt from retail sales/use tax, if the equipment is at least partially attached to the land and is an incidental part of a land lease. To qualify for the exemption on the leased equipment, sales/use tax must have been paid on the original purchase of the equipment by the owner.

Purpose: Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, sales tax was already paid by the owner of the land. For sales tax to apply at the lessee level, the original acquisition of the equipment by the lessor would be an exempt sale for resale.

Category/Year Enacted: Agriculture. 1983

Primary Beneficiaries: Farmers who lease farm land which includes irrigation equipment.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  
<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 995</td>
<td>$ 995</td>
<td>$ 995</td>
<td>$ 995</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 246</td>
<td>$ 246</td>
<td>$ 246</td>
<td>$ 246</td>
</tr>
</tbody>
</table>

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

82.08.0294  FISH FEED FOR AQUACULTURE
82.12.0294

Description: Persons who raise fish for sale are exempt from retail sales/use tax on purchases of feed.

Purpose: To provide equivalent treatment with farmers whose purchases of feed for their livestock are exempt from sales/use tax. This recognizes that aquaculture and agriculture are similar activities.

Category/Year Enacted: Agriculture. 1985

Primary Beneficiaries: Commercial fish farmers.

Possible Program Inconsistency: This exemption helps to encourage an economic activity that can contribute to water pollution and thus may be inconsistent with certain water pollution control programs.

Taxpayer Savings ($000)  
<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$  50</td>
<td>$  50</td>
<td>$  50</td>
<td>$  50</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$   19</td>
<td>$   19</td>
<td>$   19</td>
<td>$   19</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0296  LIVESTOCK FEED
82.12.0296

Description: Feed consumed by livestock at public livestock markets is exempt from sales/use tax.

Purpose: Feed sold to farmers is already exempt from sales/use tax. This provision extends the exemption to feed consumed by cattle while awaiting sale at a livestock market.

Category/Year Enacted: Agriculture. 1986

Primary Beneficiaries: Operators of public livestock markets.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$       93</td>
<td>$       93</td>
<td>$       93</td>
<td>$       93</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$       23</td>
<td>$       23</td>
<td>$       23</td>
<td>$       23</td>
</tr>
</tbody>
</table>

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

82.08.0311  FRUIT/VEGETABLE PACKING MATERIALS
82.12.0311

Description: Exemption from retail sales/use tax is provided for materials and supplies used directly in packing of fresh, perishable horticultural products.

Purpose: To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

Category/Year Enacted: Agriculture. 1988

Primary Beneficiaries: Fruit and vegetable packers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$       342</td>
<td>$       352</td>
<td>$       363</td>
<td>$       373</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$       85</td>
<td>$       87</td>
<td>$       90</td>
<td>$       92</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – FARM PRODUCTS

82.08.855 REPAIR AND PARTS FOR FARM MACHINERY
82.12.855

Description: Retail sales/use tax exemptions are provided for eligible farmers for purchases of replacement parts for farm machinery, charges for the installation of exemption replacement parts, and charges for repair of farm machinery. Eligible farmers must be actively engaged in producing agricultural products which resulted in at least $10,000 in gross proceeds during the previous year. The machinery must be primarily used in the production of agricultural products. Replacement parts do not include consumable supplies such as fuel or oil.

Purpose: To support the agricultural industry.


Primary Beneficiaries: The approximately 30,000 farmers in Washington and firms that repair farm machinery.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 13,944</td>
<td>$ 14,419</td>
<td>$ 14,909</td>
<td>$ 15,416</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$  4,934</td>
<td>$  5,102</td>
<td>$  5,275</td>
<td>$  5,455</td>
</tr>
</tbody>
</table>

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

82.08.865 DIESEL AND AIRCRAFT FUEL USED ON FARMS
82.12.865

Description: Sales and use tax does not apply to sales of diesel fuel, biodiesel fuel or aircraft fuel as defined in RCW 82.42.010(5) to a farmer or a person who provides horticultural services for farmers, as long as the fuel is not used on public highways or for heating of water or space for human habitation.

Purpose: To support Washington farmers.

Category/Year Enacted: Agriculture. 2006

Primary Beneficiaries: Washington farmers, particularly those with diesel powered farm equipment and those who provide crop dusting services.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 10,630</td>
<td>$ 10,949</td>
<td>$ 11,278</td>
<td>$ 11,616</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$  3,952</td>
<td>$  4,071</td>
<td>$  4,193</td>
<td>$  4,319</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.880  MEDICINE FOR LIVESTOCK
82.12.880

Description: Exemption from retail sales/use tax is provided for pharmaceuticals for livestock used by farmers. The drug must be approved by the U.S. Department of Agriculture or the Food and Drug Administration and must be administered to an animal that is being raised for purposes of sale as an agricultural product. The exemption applies to sales of eligible medicines made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

Purpose: To support the agricultural industry and help offset the high cost of medicines for livestock.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Farmers who raise animals for sale.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,600</td>
<td>$ 1,600</td>
<td>$ 1,600</td>
<td>$ 1,600</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 595</td>
<td>$ 595</td>
<td>$ 595</td>
<td>$ 595</td>
</tr>
</tbody>
</table>

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

82.08.890  LIVESTOCK NUTRIENT MANAGEMENT
82.12.890

Description: Retail sales/use tax exemption is provided for facilities used for livestock nutrient management, including the maintenance and repair of equipment. The facilities and equipment must be used exclusively for activities necessary to maintain a livestock management plan as required by Chapter 90.64 RCW, an animal feeding operation that holds a permit under Chapter 90.48 RCW or an animal feeding operation that has a nutrient management plan approved by a conservation district. The exemption applies to purchases made after the management plan is certified pursuant to the law. NOTE: this exemption was suspended for the period July 1, 2010 through June 30, 2013.

Purpose: To support the Washington dairy industry and livestock feeding operations.


Primary Beneficiaries: Dairies and livestock operations.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 640</td>
<td>$ 640</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 168</td>
<td>$ 168</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.900 ANAEROBIC DIGESTERS FOR DAIRIES
82.12.900

Description: Exemption from retail sales/use tax is provided for anaerobic digesters that are used primarily to treat manure resulting from dairy and livestock operations. The exemption covers construction, equipment and installation costs.

Purpose: To support the dairy and livestock industry in Washington.


Primary Beneficiaries: Washington dairies.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 190 $ 190 $ 190 $ 190
Local taxes $ 47 $ 47 $ 47 $ 47

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

82.08.910 PROPANE/NATURAL GAS TO HEAT CHICKEN BARNs
82.12.910

Description: Sales to farmers of propane or natural gas used to heat structures that house chickens are exempt from retail sales/use tax. The propane or natural gas must be used exclusively to heat these structures and the chickens must be eventually sold as agricultural products.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 70 poultry producers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 1,116 $ 1,116 $ 1,116 $ 1,116
Local taxes $ 276 $ 276 $ 276 $ 276

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Sales of bedding materials to farmers who raise chickens for sale as agricultural products are exempt from retail sales/use tax. The purpose of the bedding materials must be to accumulate and facilitate the removal of chicken manure.

Purpose: To support the poultry industry.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: Approximately 70 poultry producers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 279</td>
<td>$ 279</td>
<td>$ 279</td>
<td>$ 279</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 69</td>
<td>$ 69</td>
<td>$ 69</td>
<td>$ 69</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.050(1d) FERROSILICON
82.04.190(1d)

**Description:** Tangible personal property used in production of ferrosilicon which, in turn, is used in the production of magnesium is excluded from the definition of retail sale. The primary purpose of the exempt items must be to create a chemical reaction with an ingredient of ferrosilicon.

**Purpose:** To encourage magnesium production businesses to locate in Washington.

**Category/Year Enacted:** Business incentive. 1986

**Primary Beneficiaries:** Magnesium production firms.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)**

The impact of this exemption cannot be disclosed, as it is believed to affect fewer than three firms.

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

82.04.050(1a) COMPETITIVE TELEPHONE SERVICE

**Description:** Retail sales/use tax does not apply to purchases of tangible personal property made for the purpose of providing the property to consumers as part of a competitive telephone service.

**Purpose:** To avoid the possibility of double taxation of the same product.

**Category/Year Enacted:** Business incentive. 1981

**Primary Beneficiaries:** Providers of telecommunication services.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 22,889</td>
<td>$ 23,347</td>
<td>$ 23,814</td>
<td>$ 24,290</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$  8,323</td>
<td>$  8,490</td>
<td>$  8,659</td>
<td>$  8,833</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.050(1a) EXTENDED WARRANTIES

Description: Retail sales/use tax does not apply to the purchase of tangible personal property that is replaced or becomes a component of property covered by an extended warranty.

Purpose: To assure that buyers are not financially responsible for the sales tax on replacement items of components that are covered by an extended warranty.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Purchasers of extended warranties.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$41,750</td>
<td>$44,760</td>
<td>$46,290</td>
<td>$47,860</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$15,520</td>
<td>$16,640</td>
<td>$17,210</td>
<td>$17,790</td>
</tr>
</tbody>
</table>

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

82.08.0208 DIGITAL CODES
82.12.0208

Description: Digital codes sold to final users are taxable retail sales, but this statute exempts digital codes that provide access to an exempt digital good.

Purpose: To promote uniformity, consistency, and ease of administration in the tax code.

Category/Year Enacted: Other Business. 2009

Primary Beneficiaries: Sellers of digital codes which provide access to digital goods.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$100</td>
<td>$100</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$37</td>
<td>$37</td>
<td>$37</td>
<td>$37</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but compliance would be problematic.
82.08.02081  AUDIO/VIDEO PROGRAMMING BY BROADCASTERS
82.12.02081

Description: Retail sales tax does not apply to audio or video programming by a radio or television broadcaster. However, programming that is sold on a pay-per-program is taxable.

Purpose: Uniformity and consistency in the treatment of digital media.

Category/Year Enacted: Other Business. 2009

Primary Beneficiaries: Radio and TV broadcasters.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 8,894</td>
<td>$ 8,970</td>
<td>$ 9,045</td>
<td>$ 9,122</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 3,037</td>
<td>$ 3,335</td>
<td>$ 3,363</td>
<td>$ 3,391</td>
</tr>
</tbody>
</table>

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

82.08.02082  DIGITAL GOODS/AUTOMATED SERVICES FOR THE PUBLIC
82.12.02082

Description: Purchases of digital goods and digital automated services that will ultimately be made available to the general public at no charge are exempt from retail sales tax.

Purpose: To promote fairness and consistency in the tax code.

Category/Year Enacted: Other Business. 2009

Primary Beneficiaries: Organizations that purchase digital good and automated services which will be provided to the public without charge.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 135</td>
<td>$ 148</td>
<td>$ 163</td>
<td>$ 176</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 49</td>
<td>$ 55</td>
<td>$ 61</td>
<td>$ 65</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**RETAIL SALES/USE TAXES – PRODUCER GOODS**

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**82.08.02087 DIGITAL GOODS/SERVICES FOR BUSINESSES**

| Description | Purchases of digital goods and services rendered in respect to digital goods purchased solely for business purposes are exempt from retail sales/use tax. |
| Purpose | To promote uniformity and consistency in the tax code. |
| Category/Year Enacted | Other Business. 2009 |
| Primary Beneficiaries | Businesses that purchase digital goods and services. |
| Possible Program Inconsistency | None evident. |

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,824</td>
<td>$ 2,043</td>
<td>$ 2,247</td>
<td>$ 2,427</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 678</td>
<td>$ 760</td>
<td>$ 835</td>
<td>$ 920</td>
</tr>
</tbody>
</table>

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

---

**82.08.02088 DIGITAL GOODS/SERVICES, INSTATE & OUT-OF-STATE**

| Description | Digital goods and services which are used both within Washington as well as outside the state concurrently are exempt from retail sales/use tax, if the goods or services are not for personal use. |
| Purpose | To promote uniformity, consistency and ease of administrative in the tax code. |
| Category/Year Enacted | Other Business. 2009 |
| Primary Beneficiaries | Organizational buyers and sellers of digital goods and services which are used both within Washington and outside of the state. |
| Possible Program Inconsistency | None evident. |

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 100</td>
<td>$ 100</td>
<td>$ 100</td>
<td>$ 100</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 37</td>
<td>$ 37</td>
<td>$ 37</td>
<td>$ 37</td>
</tr>
</tbody>
</table>

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

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### 82.08.0252  
**SALES SUBJECT TO PUBLIC UTILITY TAX**

**Description:** Sales which are subject to the public utility tax are exempt from retail sales tax.

**Purpose:** To prevent the double taxation of these activities, since the public utility tax can be considered as a tax on consumers of utility services (although the tax is paid by the provider of the service).

**Category/Year Enacted:** Tax base. 1935

**Primary Beneficiaries:** Providers of utility services and their customers.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$72,607</td>
<td>$75,598</td>
<td>$78,713</td>
<td>$81,956</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$65,503</td>
<td>$68,202</td>
<td>$71,012</td>
<td>$73,938</td>
</tr>
</tbody>
</table>

*Estimates reflect the difference between PUT tax and B&O retailing/retail sales tax.

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

### 82.08.02565  
**MANUFACTURING MACHINERY**

**Description:** New or replacement manufacturing machinery and equipment is exempt from retail sales/use tax if it is used in a manufacturing operation. Both materials and installation labor are included for machinery, equipment, pollution control equipment and the internal use portion of cogeneration equipment. Repair parts and labor, R&D equipment, testing devices and certain logging and rock-crushing equipment are also covered by the exemption. Excluded from the exemption are short-lived tools, hand tools, and consumable supplies.

**Purpose:** To encourage manufacturing activity to take place in Washington and create family wage jobs.

**Category/Year Enacted:** Business incentive. 1995

**Primary Beneficiaries:** About 11,600 manufacturing firms in Washington are potentially eligible.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$228,414</td>
<td>$243,915</td>
<td>$260,468</td>
<td>$278,144</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 85,606</td>
<td>$ 91,415</td>
<td>$ 97,619</td>
<td>$104,244</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.02566  PROTOTYPES OF AIRCRAFT PARTS
82.12.02566

Description: Purchases of ingredients for prototypes of aircraft parts are exempt from retail sales/use tax, if the firm that develops the prototypes has taxable revenue of less than $20 million annually. The statute limits the amount of sales tax exemption to $100,000 per firm.

Purpose: To assist relatively small manufacturers of aircraft parts.

Category/Year Enacted: Business incentive. 1996

Primary Beneficiaries: Approximately 130 firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 347</td>
<td>$ 406</td>
<td>$ 460</td>
<td>$ 484</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 128</td>
<td>$ 150</td>
<td>$ 170</td>
<td>$ 179</td>
</tr>
</tbody>
</table>

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

82.08.02568  ANODES & CATHODES FOR ALUMINUM PRODUCTION
82.12.02568

Description: Exemption from retail sales/use tax for various ingredients used in producing anodes and cathodes that are used in manufacturing aluminum. These include carbon, petroleum coke, coal tar, pitch and similar substances.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 1996

Primary Beneficiaries: Aluminum manufacturers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  It is believed that there are fewer than three firms that utilize this exemption; therefore, the revenue impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.08.026**  
**NATURAL & MANUFACTURED GAS**  
82.12.023 & 82.14.030(1)

**Description:** Natural and manufactured gas delivered through a pipeline, which is subject to the use tax on brokered gas pursuant to RCW 82.12.022, is exempt from retail sales/use tax.

**Purpose:** Washington firms that distribute natural gas are subject to public utility tax. Large industrial customers may purchase gas directly from out-of-state suppliers through brokers that is not subject to public utility tax. In 1989, a "use" tax was levied on such purchases, equivalent to the public utility tax. This exemption assures that these purchases are subject to the special use tax, rather than sales/use tax.

**Category/Year Enacted:** Tax base. 1989

**Primary Beneficiaries:** Large industrial users of natural or manufactured gas.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 19,943</td>
<td>$ 19,943</td>
<td>$ 19,943</td>
<td>$ 19,943</td>
</tr>
<tr>
<td>Local taxes*</td>
<td>$(26,988)</td>
<td>$(26,988)</td>
<td>$(26,988)</td>
<td>$(26,988)</td>
</tr>
</tbody>
</table>

*Includes local use tax at the maximum 6% rate. The overall local impact would be a gain in revenue (reduced taxpayer savings) resulting from shifting from local utility use tax to regular local sales tax.

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

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**82.08.0274**  
**FORM LUMBER**  
82.12.0268

**Description:** Form lumber that is used in construction to mold concrete is exempt from retail sales/use tax. The lumber must be used in a single project and be incorporated into the same project. The exemption applies only to projects done by contractors for other persons. Therefore, lumber used by "spec" builders is not exempt under this provision.

**Purpose:** To exempt the contractor's intervening use as a consumer of form lumber.

**Category/Year Enacted:** Other business. 1965

**Primary Beneficiaries:** Contractors and subcontractors who use lumber as forms for concrete.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)** Minimal. It is believed that form lumber is rarely incorporated into the same structure, and therefore there is little or no impact for this exemption.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0298  FUEL FOR COMMERCIAL FISHING BOATS
82.12.0298

**Description:** Diesel fuel used by vessels engaged in commercial deep-sea fishing or in the operation of commercial charter fishing boats is exempt from retail sales/use tax. Such vessels must regularly operate outside of state territorial waters and the gross income from fishing must be at least $5,000 annually.

**Purpose:** To recognize that the majority of such fuel is consumed outside of the state.

**Category/Year Enacted:** Other business. 1987

**Primary Beneficiaries:** Commercial fishers and sport fishing charter boat operators.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 5,639</td>
<td>$ 5,710</td>
<td>$ 5,783</td>
<td>$ 5,856</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 2,097</td>
<td>$ 2,123</td>
<td>$ 2,150</td>
<td>$ 2,177</td>
</tr>
</tbody>
</table>

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

82.08.0315  FILM & VIDEO PRODUCTION EQUIPMENT/SERVICES
82.12.0315

**Description:** Rental of production equipment or sale of production services to a motion picture or video production businesses are exempt from retail sales/use tax. Such equipment includes video, electrical, lighting and motion picture equipment.

**Purpose:** To support the motion picture industry and encourage more films to be produced in this state.

**Category/Year Enacted:** Business incentive. 1995

**Primary Beneficiaries:** Motion picture and video production companies.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,015</td>
<td>$ 2,035</td>
<td>$ 2,055</td>
<td>$ 2,076</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 744</td>
<td>$ 751</td>
<td>$ 759</td>
<td>$ 766</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.805 PURCHASES BY ALUMINUM SMELTERS
82.12.805

Description: Exemption from retail sales/use tax is available for personal property used at an aluminum smelter, tangible personal property that is incorporated into a structure at an aluminum smelter, or labor and service with respect to construction of aluminum smelter facilities. This exemption expires on January 1, 2017.

Purpose: To support the aluminum industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: Aluminum manufacturing companies.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Fewer than three firms have utilized this exemption, and therefore the impact cannot be disclosed publicly.

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

82.08.806 COMPUTER EQUIPMENT FOR PRINTERS & PUBLISHERS
82.12.806

Description: Purchases of computer equipment and software, including installation and related services, which is used primarily in the printing and publishing of any type of printed material are exempt from retail sales/use tax. Digital cameras are also included in the scope of the exemption. The exemption does not extend to computers and software used principally for administrative purposes.

Purpose: To provide tax incentives for the printing and publishing industry.

Category/Year Enacted: Business incentive. 2004

Primary Beneficiaries: Approximately 26 daily newspapers, a few weeklies, and various other publishers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 410</td>
<td>$ 380</td>
<td>$ 356</td>
<td>$ 337</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 152</td>
<td>$ 141</td>
<td>$ 132</td>
<td>$ 125</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.810 AIR POLLUTION CONTROL FACILITIES
82.12.810

Description: Construction of air pollution control facilities at a thermal electric generating facility which was placed in operation after 1969 and before July 1, 1997 is exempt from retail sales/use tax. The exemption is contingent upon production levels for the plant being maintained above the 20 percent annual capacity factor between 2002 and 2023. If production falls below this level, all or a portion of the tax previously exempted must be repaid.

Purpose: To reduce the cost of installing air pollution control devices at the Centralia coal-fired thermal generating plant. NOTE: the initial coal-fired burner at the plant is currently scheduled to be shut down in 2020, followed by the second burner in 2025.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The Centralia thermal generating plant.

Possible Program Inconsistency: None evident.

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

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

82.08.811 COAL USED AT THERMAL GENERATING PLANTS
82.12.811

Description: Purchases of coal used at a thermal electric generating facility placed in operation after 1969 and before July 1, 1997 are exempt from retail sales/use tax. The exemption is contingent upon owners of the plant demonstrating to the Department of Ecology that progress is being made to install the necessary air pollution control devices and that the facility has emitted no more than 10,000 tons of sulfur dioxide during the previous 12 months.

Purpose: To encourage the Centralia plant to install the necessary air pollution control devices. NOTE: the initial coal-fired burner at the plant is currently scheduled to be shut down in 2020, followed by the second burner in 2025.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The Centralia thermal generating plant.

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? Yes.
82.08.820  WAREHOUSES, TAX REMITTANCE
82.12.820

Description: Certain warehouses and grain elevators are eligible for an exemption in the form of a remittance of the state retail sales/use tax paid on purchases of machinery and on materials and labor for construction of these facilities. Warehouses must be more than 200,000 square feet in size. The exemption equals 100 percent of the state retail sales/use tax paid on construction and 50 percent of the state tax paid on equipment, including materials handling and racking equipment. For grain elevators the exemption is either 50 or 100 percent of the state tax paid, depending upon the capacity of the facility. The remittance does not include local sales/use taxes.

Purpose: To encourage construction of warehouses in Washington and to increase the competitiveness of the warehouse and distribution industry in this state.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: Warehouse firms, distribution centers, grain elevators, port districts.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,048</td>
<td>$ 4,048</td>
<td>$ 4,048</td>
<td>$ 4,048</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

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

82.08.965  FACILITIES FOR MANUFACTURING SEMICONDUCTOR MATERIALS
82.12.965

Description: Exemption from retail sales/use tax is provided for new construction by manufacturers of semiconductor materials. The exemption covers all construction costs, including materials, labor and installation of fixtures. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective, it is scheduled to last for a period of 12 years from the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar businesses to the state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) There is no revenue impact, as the investment criterion has yet to be achieved.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming the exemption becomes effective.
82.08.9651  SEMICONDUCTOR MATERIALS - GASSES & CHEMICALS
82.12.9651

Description: Exemption from retail sales/use tax is provided for gasses and chemicals used by manufacturers of semiconductor materials. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $350 million. This criterion has been met, and the exemption was effective on December 1, 2006. It is scheduled to last for a period of 12 years.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar business to the state.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Three firms that manufacture semiconductor materials.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): Because the exemption is believed to be utilized by fewer than three firms, the taxpayer savings cannot be disclosed publicly.

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

82.08.970  SEMICONDUCTOR MATERIALS - GASSES & CHEMICALS
82.12.970

Description: Exemption from retail sales/use tax is provided for gasses and chemicals used by manufacturers of semiconductor materials. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective, it is scheduled to last for a period of 12 years from the effective date.

Purpose: To encourage the retention of existing semiconductor firms in Washington and to attract similar business to the state.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: None, because the contingency criterion has not been met.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): There is no revenue impact, as the investment criterion has yet to be achieved.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, assuming the exemption becomes effective.
82.08.975 AIRPLANE COMPUTER EXPENDITURES
82.12.975

Description: Exemption from retail sales/use tax is allowed for the purchase or installation of computer software, hardware and peripheral equipment not exempted by other programs, when these products are primarily used to develop, design, and engineer aerospace products or to provide aerospace services. The exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage the development and engineering of commercial aircraft in Washington.


Primary Beneficiaries: Manufacturers of commercial aircraft and components of such aircraft.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 8,955</td>
<td>$10,505</td>
<td>$11,866</td>
<td>$12,475</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 3,329</td>
<td>$ 3,891</td>
<td>$ 4,412</td>
<td>$ 4,638</td>
</tr>
</tbody>
</table>

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

82.08.980 AIRPLANE FACILITIES ON PORT DISTRICT PROPERTY
82.12.980

Description: Exemption from retail sales/use tax is allowed for the construction of an assembly facility for a super-efficient aircraft by a manufacturer or a port district, if the plant is located on port district property. The exemption was effective on December 1, 2003 and is scheduled to expire on July 1, 2024.

Purpose: To encourage locating of an assembly facility in Washington for a super-efficient aircraft.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Manufacturer of a super-efficient aircraft and the port district upon which the facility might be located.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) None. This exemption was available in the event that assembly facilities for the 787 airplane might have been located on port district property.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – PRODUCER GOODS

82.08.983 WAX OR CERAMIC MATERIALS USED TO CREATE MOLDS
82.12.983

Description: Exemption from retail sales/use tax is provided for sales of wax or ceramic materials used to create molds which are consumed during the process of creating ferrous and nonferrous investment castings used in industrial applications. Labor and services used to create patterns and shells used as molds also qualify for the exemption. The exemption is scheduled to expire on June 30, 2015.

Purpose: To encourage the production of castings in Washington.

Category/Year Enacted: Business incentive. 2010

Primary Beneficiaries: There are approximately 21 firms that might benefit.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 199</td>
<td>$ 209</td>
<td>$ 220</td>
<td>$ 230</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 71</td>
<td>$ 75</td>
<td>$ 79</td>
<td>$ 83</td>
</tr>
</tbody>
</table>

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

82.08.986 EQUIPMENT AND INFRASTRUCTURE FOR DATA CENTERS
82.12.986

Description: Exemption from retail sales/use tax is provided for qualified equipment and electrical power infrastructure for data centers. Included in the exemption are labor and services associated with installation of the equipment and power infrastructure. Various employment and facility size criteria are established in the statute. The facility must be located in a rural county as defined in RCW 82.14.370 (population density of less than 100 persons per square mile or county size of less than 225 square miles). The exemption is scheduled to expire on April 1, 2018.

Purpose: To promote job growth and the local economy in Washington.

Category/Year Enacted: Business incentive. 2010

Primary Beneficiaries: There are approximately 20 firms that might benefit.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 8,358</td>
<td>$ 8,358</td>
<td>$ 8,358</td>
<td>$ 16,717</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.9995 MEALS FOR RESTAURANT EMPLOYEES

Description: Meals provided to employees of restaurants without specific charge are exempt from retail sales/use tax.

Purpose: To resolve a long-standing issue regarding the application of retail sales and use tax law and to make administration of the sales tax easier for restaurants and the Department.

Category/Year Enacted: Other business. 2011

Primary Beneficiaries: Restaurant owners and their employees.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$2,204</td>
<td>$2,581</td>
<td>$2,674</td>
<td>$2,770</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$819</td>
<td>$960</td>
<td>$994</td>
<td>$1,030</td>
</tr>
</tbody>
</table>

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

82.12.010(1) USE TAX ON RENTAL VALUE

Description: An out-of-state business that brings property into this state for temporary business use (less than 180 days during a 365 consecutive day period) may compute use tax based on an amount representing the reasonable rental value of the item, rather than the total market value. The usual measure of the use tax is the purchase price or the fair market value at the time of the first use in Washington.

Purpose: To encourage out-of-state firms to do business in Washington by allowing them to use equipment in this state on a temporary basis without incurring use tax liability on the full market value.

Category/Year Enacted: Other business. 1985; the allowable time for in-state use was doubled to 180 days in 1994.

Primary Beneficiaries: Out-of-state firms with contracts in Washington.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,973</td>
<td>$2,040</td>
<td>$2,109</td>
<td>$2,181</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$733</td>
<td>$758</td>
<td>$784</td>
<td>$811</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.12.0263   EXTRACTED FUEL

Description: Fuel consumed by manufacturers or extractors is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant.

Purpose: To support the fuel manufacturing and extracting industry.

Category/Year Enacted: Other business. 1949

Primary Beneficiaries: Manufacturers and extractors of fuel.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$30,100</td>
<td>$26,300</td>
<td>$30,900</td>
<td>$31,700</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$11,100</td>
<td>$9,700</td>
<td>$11,400</td>
<td>$11,700</td>
</tr>
</tbody>
</table>

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

82.12.0265   BAILED PROPERTY USED IN RESEARCH

Description: Use tax does not apply to the value of bailed property when the bailee consumes the property while conducting research and development activities for a bailor who is not subject to tax. "Bailment" consists of granting the right of possession of tangible personal property to another person (bailee) without financial compensation to the property owner (bailor).

Purpose: Bailment typically applies to tangible personal property owned by the federal government that is used by federal contractors. The purpose of the exemption is to improve the competitive position of in-state firms competing for the federal contracts by reducing the associated tax burden.

Category/Year Enacted: Other business. 1961

Primary Beneficiaries: Contractors with the federal government.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$2,760</td>
<td>$2,788</td>
<td>$2,815</td>
<td>$2,844</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$1,026</td>
<td>$1,036</td>
<td>$1,047</td>
<td>$1,057</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.12.0272 ITEMS DISPLAYED IN TRADE SHOWS

**Description**: Tangible personal property held for sale which is displayed in a trade show for up to 30 days is exempt from use tax. The exemption pertains to items that are actually demonstrated and not simply available for sale as part of the dealer's inventory.

**Purpose**: To stimulate trade and the economy by encouraging trade shows to take place in this state.

**Category/Year Enacted**: Other business. 1971

**Primary Beneficiaries**: Manufacturers and distributors that exhibit products at trade shows.

**Possible Program Inconsistency**: None evident.

**Taxpayer Savings ($000)**: Indeterminate.

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

82.12.800 USE OF VESSELS BY MANUFACTURERS & DEALERS
82.12.801 & 82.12.802

**Description**: These three statutes relate to the application of use tax for firms that manufacture or sell boats and boat trailers. The following uses of a vessel and trailer by the manufacturer or a vessel dealer are exempt from use tax per RCWs 82.12.800 and .801: (1) testing, setting-up, repairing, remodeling or otherwise making the vessel seaworthy; (2) training of employees; (3) activities promoting the sale of the vessel; (4) loaning or donating the vessel to nonprofit organizations or governmental entities for limited periods; (5) transporting, displaying or demonstrating the vessel at boat shows; and (6) delivering, showing and operating the vessel for a prospective buyer. Any other intervening use of the vessel by the manufacturer or a dealer is subject to use tax. However, RCW 82.12.802 provides that the use tax in such instances is to be measured by the reasonable rental value of the vessel for that particular use, rather than the fair market value, if the dealer can demonstrate that the vessel is truly held for sale.

**Purpose**: To clearly identify the uses of vessels and related equipment which are not considered as taxable “intervening” uses and to provide a basis for the use tax in other taxable situations.

**Category/Year Enacted**: Other business. 1997

**Primary Beneficiaries**: Manufacturers and dealers of boats and boat trailers.

**Possible Program Inconsistency**: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$173</td>
<td>$171</td>
<td>$176</td>
<td>$186</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$64</td>
<td>$64</td>
<td>$65</td>
<td>$69</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0261 ITEMS USED IN INTERSTATE COMMERCE

Description: Exemption from retail sales tax is provided for tangible personal property, other than airplanes, locomotives, railroad cars and watercraft that is used by the purchaser in connection with operation as a private or common carrier by air, rail or water in interstate or foreign commerce. Examples include linens, bedding, chairs, tableware and similar items purchased in Washington for use in other states. Any actual use of the item within this state is subject to use tax.

Purpose: To encourage purchases of these items in Washington.

Category/Year Enacted: Commerce. 1949

Primary Beneficiaries: Approx. 100 to 180 interstate air, water, and rail transportation companies.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$106,836</td>
<td>$110,450</td>
<td>$111,627</td>
<td>$112,585</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 39,720</td>
<td>$ 41,064</td>
<td>$ 41,502</td>
<td>$ 41,858</td>
</tr>
</tbody>
</table>

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

82.08.0273 SALES TO QUALIFIED NONRESIDENTS

Description: Persons who reside in a state, possession or Canadian province which levies a sales tax of less than 3.0 percent are exempt from Washington retail sales tax on tangible personal property purchased for use outside of Washington (i.e., the exemption does not apply to lodging or meals). Sales to residents of other states may also be exempt if their state of residence allows similar exemption for Washington residents; however, no state currently qualifies under this provision of reciprocity.

Purpose: To enable Washington sellers, especially along the Oregon border, to compete with merchants in other states that either: (1) do not levy a retail sales tax or (2) levy a sales tax with a low rate.

Category/Year Enacted: Individuals. 1965; a fee of $5 for a nonresident permit was eliminated in 1989; in 1993 only one piece of identification was required. In 2011, the law was clarified to exclude from the exemption residents of Canadian provinces that impose a “harmonized sales tax” because such taxes are considered to be a gross receipts tax, rather than a retail sales tax.

Primary Beneficiaries: Residents of Oregon, Alaska, Montana and the Canadian province of Alberta. Also the exemption benefits Washington retailers, especially those located in border areas.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 28,933</td>
<td>$ 30,732</td>
<td>$ 31,394</td>
<td>$ 32,069</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 10,757</td>
<td>$ 11,426</td>
<td>$ 11,672</td>
<td>$ 11,923</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Exemption from the requirement to collect retail sales tax is provided to sellers whose only activities in this state are conducted electronically and consist of the storage, dissemination, or display of advertising, the taking of orders, or the processing of payments. The activities must be conducted via a website on a computer server or other computer equipment located in this state that is not owned by the seller or an affiliate of the seller. This exemption expires if the U.S. Congress or Supreme Court authorizes states to impose sales and use tax collection duties on remote sellers.

Purpose: At the time this exemption was enacted, such sales were not taxable due to the federal Internet Tax Freedom Act (ITFA) which has been re-enacted and is currently in effect. This exemption was enacted in case that the ITFA is not re-enacted.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: Firms whose activities include storage, dissemination, advertising, taking orders or processing payments and are conducted electronically via a website on a server or other computer equipment located in this state which is not owned by the seller or an affiliate of the seller.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Minimal, if the ITFA is not re-enacted. None, if it is.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, if the current federal moratorium (commonly known as the Internet Freedom Act) prohibiting state and local governments from imposing multiple or discriminatory taxes on electronic commerce is allowed to expire. This moratorium is currently scheduled to expire on November 1, 2014.
82.08.700  BOATS; IN-STATE USE PERMIT
82.12.700

Description: Sales tax exemption is provided for sales to a nonresident of vessels at least 30 feet in length from a Washington dealer if the purchaser displays a valid use permit. The purchaser must make an irrevocable election to take the exemption authorized under this statute or the exemption in either RCWs 82.08.0266 or 82.08.02665. The permit issued under this statute is valid for 12 consecutive months from the date of issuance and is not renewable.

Purpose: To increase the time that a boat owned by a nonresident can remain in Washington waters. This helps to encourage purchases of new boats from Washington dealers and also increases tourism.

Category/Year Enacted: Individuals. 2007

Primary Beneficiaries: Boat dealers, marinas, firms that service boaters, and nonresident owners of boats.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 367</td>
<td>$ 388</td>
<td>$ 409</td>
<td>$ 432</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 137</td>
<td>$ 144</td>
<td>$ 152</td>
<td>$ 160</td>
</tr>
</tbody>
</table>

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

82.08.850  EXPORTED CONIFER SEEDLINGS
82.12.850

Description: Exemption from retail sales/use tax is provided for customer-owned conifer seeds that are placed in freezer storage operated by the seller and for customer-owned conifer seedlings that are subsequently used for growing timber outside of Washington or in Indian country within Washington.

Purpose: To eliminate the tax disadvantage for Washington conifer seed producers compared with out-of-state producers.

Category/Year Enacted: Agriculture. 2001

Primary Beneficiaries: A very small number of Washington firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 10</td>
<td>$ 10</td>
<td>$ 10</td>
<td>$ 10</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 4</td>
<td>$ 4</td>
<td>$ 4</td>
<td>$ 4</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.990     INTERSTATE COMMERCE; IMPORT/EXPORT SHIPMENTS

Description:  Exemption from retail sales tax is provided for sales of tangible personal property in the process of being imported to or exported from the United States. It clarifies in state statute the U.S. Constitutional prohibition against taxation of interstate commerce. The exemption does not generally apply to property that is used, processed or handled within the state.

Purpose:  To codify the Department’s historical sales tax treatment of imports and exports as reflected in WAC 458-20-193C. This statute provides certainty and clarity concerning taxation of property in the process of international shipment and is not dependent on future court interpretations of the constitutional limitations on the taxation of imports and exports.

Category/Year Enacted:  Commerce.  2007

Primary Beneficiaries:  Firms engaged in international trade that ship products across Washington’s borders.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)   There are other statutes in this section which also address certain aspects of the issue of imports and exports, particularly RCW 82.08.0254 – the catch-all exemption for constitutionally prohibited activities. The impacts relating to import and export shipments have traditionally been shown under these statutes. The taxpayer savings associated with this statute reflect only the residual which are not covered by the other statutes. The impact associated with this statute is indeterminate. However, since use tax would be due upon any import sales of products actually used in this state and sales tax on exports can easily be avoided by restructuring the transaction so that the buyer takes possession outside of the state, the amount of taxpayer savings is likely to be small.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  No.
82.12.0251  NONRESIDENTS' PERSONAL PROPERTY

**Description:** Use tax does not apply to tangible personal property brought into Washington by a nonresident for temporary use or enjoyment, so long as the item is not used in conducting a non-transitory business activity. This statute also exempts the use of a motor vehicle that is registered in another state if the vehicle is not required to be registered in Washington and the use of household goods, personal effects and private motor vehicles (excluding motor homes) by residents of Washington (and nonresident military personnel who are stationed in Washington), if the items were acquired and used while the owner was a resident of another state at least 90 days before entering this state.

**Purpose:** To encourage tourism in Washington and to avoid penalizing new residents of Washington by subjecting previously owned items to use tax.

**Category/Year Enacted:** Individuals. 1935

**Primary Beneficiaries:** Nonresidents who visit Washington on a temporary basis and new residents to the state who bring used household goods and vehicles with them.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$418,817</td>
<td>$462,949</td>
<td>$502,435</td>
<td>$546,849</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$152,818</td>
<td>$168,789</td>
<td>$182,966</td>
<td>$198,890</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; such a tax would be difficult and costly to administer.

82.12.0254  VEHICLES USED IN INTERSTATE COMMERCCE

**Description:** Use tax does not apply to the use of any airplanes, locomotives, railroad cars or watercraft and their component parts that are primarily used to transport property or persons for hire in interstate or foreign commerce. The exemption also applies to vessels primarily used in conducting commercial fishing operations outside of Washington waters, and intra-state commuter air carriers.

**Purpose:** To encourage the use of Washington-based transportation providers.

**Category/Year Enacted:** Commerce. 1937

**Primary Beneficiaries:** Providers of interstate and foreign commerce transportation services.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$462,661</td>
<td>$488,106</td>
<td>$514,952</td>
<td>$543,275</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$168,361</td>
<td>$177,621</td>
<td>$187,390</td>
<td>$197,697</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Exemption from use tax is provided for vehicles and trailers acquired and used by Washington residents while they were in the armed forces and stationed outside of Washington. The exemption does not cover persons called to active duty for training of less than six months or for vehicles acquired less than 30 days prior to discharge from the military.

Purpose: To support resident armed forces members and to create equity. Under RCW 82.12.0251 nonresidents who bring their vehicles into Washington and establish residency here are exempt from use tax.

Category/Year Enacted: Individuals. 1963

Primary Beneficiaries: Resident members of the armed forces.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3,419</td>
<td>$ 3,935</td>
<td>$ 4,529</td>
<td>$ 5,213</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,215</td>
<td>$ 1,398</td>
<td>$ 1,610</td>
<td>$ 1,853</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.04.050(10)  LABOR FOR PUBLIC ROADS

Description: Labor and services performed on public roads and transportation facilities owned by the federal or local (but not the state) governments are excluded from the definition of retail sale. A contractor for the federal government or a local jurisdiction must pay retail sales/use tax on materials incorporated into the project.

Purpose: The state cannot directly tax the federal government, but it can tax contractors who do work for the federal government on the value of the materials they incorporate into the project. The impact of the sales/use tax on materials is then indirectly passed on to the federal government. The exemption for labor and services for local road construction helps reduce the cost for local jurisdictions.

Category/Year Enacted: Government. 1943

Primary Beneficiaries: The U.S. government and Washington cities and counties.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$46,440</td>
<td>$47,301</td>
<td>$48,184</td>
<td>$49,005</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$17,026</td>
<td>$17,341</td>
<td>$17,665</td>
<td>$17,966</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; most of the impact is for local govt. (the federal government builds few roads) which could be taxed.

82.04.050(13)  R.T.A. MAINTENANCE SERVICE AGREEMENTS

Description: Any tangible personal property, including installation labor and services, provided to a regional transportation authority (R.T.A.) pursuant to a maintenance contract is exempt from retail sales/use tax. This applies to items installed in bus or rail transportation equipment.

Purpose: To facilitate regional transportation and clarify the application of sales tax to the R.T.A.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: Sound Transit.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$597</td>
<td>$647</td>
<td>$702</td>
<td>$760</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$249</td>
<td>$270</td>
<td>$293</td>
<td>$317</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.02525 COPIES OF PUBLIC RECORDS
82.12.02525

Description: Charges received by state or local government agencies as reimbursement for the cost of providing copies of public records are exempt from retail sales/use tax. The exemption applies to documents provided pursuant to Chapter 42.17 RCW and only if no fee is charged for the record itself, other than the amount necessary to cover the actual costs of providing the document. If the agency has not determined the actual cost, then a maximum fee of $0.15 per page applies.

Purpose: To support open government and encourage citizens to seek the information they need from governmental agencies. To avoid having agencies devote resources to collecting small amounts of tax.

Category/Year Enacted: Individuals. 1996

Primary Beneficiaries: Washington citizens and state and local government agencies.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 86</td>
<td>$ 86</td>
<td>$ 86</td>
<td>$ 86</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 33</td>
<td>$ 33</td>
<td>$ 33</td>
<td>$ 33</td>
</tr>
</tbody>
</table>

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

82.08.0255(1a & c) FUEL FOR URBAN TRANSIT & PASSENGER-ONLY FERRIES
82.12.0256(2a & c)

Description: Motor vehicle fuel purchased for the purpose of providing public transportation is exempt from retail sales/use tax. The fuel must also be exempt under the motor vehicle and special fuel taxes. In addition, fuel purchased by a public transportation benefit area or a county-owned ferry or county ferry district for use in passenger-only ferries is exempt.

Purpose: To reduce the cost of providing public transit and encourage the use of these systems by riders.


Primary Beneficiaries: Public transportation systems and their customers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 6,498</td>
<td>$ 6,923</td>
<td>$ 7,337</td>
<td>$ 7,753</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 2,416</td>
<td>$ 2,574</td>
<td>$ 2,728</td>
<td>$ 2,883</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0255(1d & e)   FUEL FOR STATE AND COUNTIES FERRIES
82.12.0256(2e & f)

Description: Motor vehicle or special fuel purchased for use in state or county-operated ferries is exempt from retail sales/use tax. The exemption becomes effective on July 1, 2013.

Purpose: To reduce the cost of providing ferry service.

Category/Year Enacted: Government. 2011

Primary Beneficiaries: The state of Washington and county-operated ferries (Pierce County).

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$0</td>
<td>$0</td>
<td>$3,885</td>
<td>$4,297</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$0</td>
<td>$0</td>
<td>$1,435</td>
<td>$1,586</td>
</tr>
</tbody>
</table>

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

82.08.0256   PUBLIC UTILITY PROPERTY
82.12.0257

Description: The sale of operating property of a public utility to the state or a local government entity is exempt from retail sales/use tax, as long as the property is used in conducting a utility operation, such as water systems and electrical substations. A requirement is the utility property must be operating as a utility before the sale, and the new owner must continued to operate the property as a utility.

Purpose: This exemption generally addresses intergovernmental transfers of utility operations as a result of annexations or incorporations. These transfers do not result in financial gain but merely reflect a transfer of assets among jurisdictions.

Category/Year Enacted: Government. 1935

Primary Beneficiaries: State and local jurisdictions, municipal utilities, water districts, etc.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Minimal; there are few such sales involving utility operating property to or among governmental jurisdictions.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but the impact is minimal.
82.08.025651  PUBLIC RESEARCH UNIVERSITIES, M&E
82.12.025651

Description: Exemption from retail sales and use tax is provided for public research institutions for machinery and equipment used primarily in a technological R&D operation. Qualifying machinery & equipment include computer hardware and software; laboratory equipment and instruments; vats, tanks, and fermenters; and equipment used to control, monitor or operate qualifying machinery.

Purpose: Previously, public research institutions were considered to be eligible for the M&E exemption. However, clarifying amendments made to RCW 82.08.02565 in 2011 would have caused the research institutions to be ineligible for the exemption. Hence, a new and separate statute was enacted.

Category/Year Enacted: Government. 2011

Primary Beneficiaries: Public research institutions are considered to be the University of Washington, Washington State University, Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$3,000</td>
<td>$3,182</td>
<td>$3,335</td>
<td>$3,499</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$1,113</td>
<td>$1,181</td>
<td>$1,238</td>
<td>$1,298</td>
</tr>
</tbody>
</table>

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

82.08.0271  WATERSHED AND FLOOD PROTECTION
82.12.930

Description: State and local government entities are exempt from retail sales/use tax on tangible personal property consumed and labor and services rendered for watershed or flood protection projects. The exemption is limited to that portion of the selling price that is reimbursable by the federal government under the Watershed Protection and Flood Prevention Act.

Purpose: To support these programs.

Category/Year Enacted: Government. 1963

Primary Beneficiaries: State and local governments that construct projects under this act.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$2</td>
<td>$2</td>
<td>$2</td>
<td>$2</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0275 SAND/GRAVEL FOR LOCAL ROADS
82.12.0269

Description: The cost of labor and services performed in mining, sorting and crushing of sand and gravel that is taken from a pit owned by or leased to a city or county is exempt from retail sales/use tax. The sand or gravel must be either placed on a street of the city or county or sold at cost to another city or county for use on public roads.

Purpose: To assist local road construction and maintenance.

Category/Year Enacted: Government. 1965

Primary Beneficiaries: City and county governments and their road contractors.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) FY 2012 FY 2013 FY 2014 FY 2015
State tax $ 2,443 $ 2,590 $ 2,745 $ 2,910
Local taxes $ 908 $ 963 $ 1,021 $ 1,082

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

82.08.0278 SALES RELATED TO ANNEXATION
81.12.0274

Description: Tangible personal property that is sold by one governmental entity to another in conjunction with an annexation or incorporation is exempt from retail sales/use tax.

Purpose: To avoid taxing the non-enterprise activities of local governments.

Category/Year Enacted: Government. 1970

Primary Beneficiaries: Cities and counties.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Minimal; although there have been many annexations and incorporations in recent years, transfers of personal property among jurisdictions are believed to be infrequent.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but the amounts would be minimal.
82.08.0285 CONSTRUCTION AND REPAIR OF FERRY BOATS
82.12.0279

Description: Construction and repair of ferry boats for the state of Washington or local governments are exempt from retail sales/use tax.

Purpose: To support state/local governments by reducing the cost of building or repairing these boats.

Category/Year Enacted: Government. 1977

Primary Beneficiaries: The state of Washington and any local jurisdictions that operate ferries.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$9,740</td>
<td>$7,414</td>
<td>$7,573</td>
<td>$7,592</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$3,520</td>
<td>$2,756</td>
<td>$2,816</td>
<td>$2,823</td>
</tr>
</tbody>
</table>

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

82.08.0287 RIDE-SHARING VEHICLES
82.12.0282

Description: Passenger motor vehicles designed to carry a minimum of five persons are not subject to retail sales/use tax, if the vehicle is used for commuter ride-sharing or transportation of persons with special needs for at least 36 consecutive months, beginning with the date of purchase or first use.

Purpose: To encourage ride-sharing for fuel conservation purposes, to help reduce traffic congestion, and to assist in addressing the requirements of the Commute Trip Reduction Act, the Growth Management Act, the Americans with Disabilities Act, and the Clean Air Act.

Category/Year Enacted: Other. 1980, vehicle size reduced to five passengers in 1993.

Primary Beneficiaries: Owners of vehicles used in van pools or to transport disabled persons.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$808</td>
<td>$929</td>
<td>$1,070</td>
<td>$1,232</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$287</td>
<td>$330</td>
<td>$380</td>
<td>$438</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.08.02875  FOOTBALL STADIUM/EXHIBITION CENTER PARKING**

**Description:** Retail sales/use tax does not apply to charges for parking vehicles at facilities owned by a public stadium authority, if the authority levies the tax on parking authorized by RCW 36.38.040.

**Purpose:** The local parking tax cited above is being levied by the Public Stadium Authority to help finance construction and operation of Century Link Field and the adjoining exhibition center. Imposing both the local parking tax and retail sales was considered to be too onerous for parking customers.

**Category/Year Enacted:** Government. 1997

**Primary Beneficiaries:** The Public Stadium Authority and users of the parking facility at Century Link Field/Exhibition Center.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)**
The fiscal impact cannot be disclosed publicly, because there is only one taxpayer that utilizes this exemption.

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

**82.08.02915  HOUSING FOR YOUTH IN CRISIS**

**Description:** Exemption from retail sales/use tax is allowed for nonprofit health or social welfare organizations for the cost of materials used in the construction of alternative housing facilities for youth who are "in crisis." The facility must be licensed under Chapter 74.15 RCW. The exemption does not extend to charges for labor or services associated with construction of these facilities.

**Purpose:** To encourage construction of shelters for youth who have left home.

**Category/Year Enacted:** Nonprofit - health or social welfare. 1995

**Primary Beneficiaries:** Nonprofit organizations that build youth shelters.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 52</td>
<td>$ 55</td>
<td>$ 57</td>
<td>$ 60</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 19</td>
<td>$ 20</td>
<td>$ 21</td>
<td>$ 22</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0299  LODGING FOR HOMELESS PERSONS

Description: Exemption from retail sales tax is allowed for emergency lodging that is provided to homeless persons under a shelter voucher program. The exemption applies for a period of up to 30 days per recipient, and the voucher must be given by a local government agency or private organization that provides emergency food and shelter for homeless persons.

Purpose: To reduce the cost of providing housing services for the homeless.

Category/Year Enacted: Individuals. 1988

Primary Beneficiaries: Homeless persons who receive temporary lodging at hotels, etc. However, it is understood that vouchers are being replaced with longer term types of assistance.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 17</td>
<td>$ 17</td>
<td>$ 18</td>
<td>$ 18</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 15</td>
<td>$ 15</td>
<td>$ 16</td>
<td>$ 16</td>
</tr>
</tbody>
</table>

*Impact includes hotel/motel taxes and state convention center tax.

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

82.08.870  MOTORCYCLES FOR RIDER-TRAINING PROGRAMS

Description: Retail sales/use tax does not apply to sales of motorcycles purchased for use in a rider-training program, or to motorcycles that are loaned to the Department of Licensing (DOL) for use in a rider-training program, or to persons contracting with DOL to provide such training.

Purpose: To support motorcycle rider-training programs.

Category/Year Enacted: Government. 2001

Primary Beneficiaries: The Department of Licensing and their contractors who provide motorcycle training.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 9</td>
<td>$ 9</td>
<td>$ 9</td>
<td>$ 9</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.08.995 **  **PUBLIC DEVELOPMENT AUTHORITIES**

**Description:** Exemption from retail sales/use tax is allowed for tangible personal property and services provided by a public corporation, commission or authority to: (1) a limited liability company in which the public corporation is the managing member; (2) a limited partnership in which the public corporation is the general partner; or (3) a single-asset entity required by a federal, state or local housing assistance program that is directly or indirectly controlled by the public corporation.

**Purpose:** To minimize the tax burden for companies formed to receive federal grant funding for low-income housing authorities.

**Category/Year Enacted:** Government. 2007

**Primary Beneficiaries:** Entities that receive federal grants for low-income housing projects.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2</td>
<td>$ 2</td>
<td>$ 2</td>
<td>$ 2</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 1</td>
<td>$ 1</td>
</tr>
</tbody>
</table>

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

**82.12.02595 **  **DONATIONS TO NONPROFITS & GOVERNMENT**

**Description:** Use tax exemption is allowed for nonprofit charitable organizations and state/local governments for donated tangible personal property. If the reason for the donation was to allow the organization to provide the property to others, the use of the property by the recipient is exempt. Donors who provide the property without intervening use are also exempt under this statute.

**Purpose:** To allow charitable donations to take place without incurring use tax liability.

**Category/Year Enacted:** Nonprofit - other. 1995; extended to donors in 1998.

**Primary Beneficiaries:** Nonprofit groups and governmental entities that receive donated items.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,184</td>
<td>$ 1,270</td>
<td>$ 1,311</td>
<td>$ 1,353</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 440</td>
<td>$ 472</td>
<td>$ 487</td>
<td>$ 503</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.12.0264 DRIVER-TRAINING VEHICLES

Description: Use tax exemption is provided for public and private schools and donors for vehicles used in driver-training programs. The vehicles must contain dual controls and be used exclusively by public or private schools (not commercial driver-training programs).

Purpose: To reduce the cost of providing driver-education programs and encourage vehicle dealers to provide vehicles to public and private schools for this purpose.

Category/Year Enacted: Government. 1955

Primary Beneficiaries: Public and private schools with such programs.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 90</td>
<td>$ 90</td>
<td>$ 90</td>
<td>$ 90</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 30</td>
<td>$ 30</td>
<td>$ 30</td>
<td>$ 30</td>
</tr>
</tbody>
</table>

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

82.12.0284 COMPUTERS DONATED TO SCHOOLS

Description: Use tax exemption is provided to public and private schools for computers donated to them by individuals and businesses. The exemption covers computer hardware, components and accessories, as well as computer software. (Note: a similar exemption is provided for ALL tangible personal property that is donated to a government entity or a nonprofit charitable organization. However, that statute apparently would not cover donations of computers to private, nonprofit educational institutions.)

Purpose: To encourage individuals and businesses to donate computer equipment to schools.

Category/Year Enacted: Government (and nonprofit organizations). 1983

Primary Beneficiaries: Public and private K-12 schools, as well as colleges and universities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 26</td>
<td>$ 26</td>
<td>$ 26</td>
<td>$ 26</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – HEALTH-RELATED PURCHASES

82.04.050(2a)  HOSPITAL LAUNDRY SERVICE

Description: Charges for laundry service for nonprofit health care facilities are excluded from the definition of retail sale. As a result, laundry businesses that provide services for nonprofit health care facilities do not collect sales tax but are subject to B&O tax under the service classification.

Purpose: To indirectly reduce the cost of health care.

Category/Year Enacted: Nonprofit - health and social welfare. 1973; originally limited to an association of nonprofit hospitals, expanded in 1998 to laundry charges for any nonprofit health care facility.

Primary Beneficiaries: Nonprofit health care facilities that contract for laundry services.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3,134</td>
<td>$ 3,281</td>
<td>$ 3,435</td>
<td>$ 3,595</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,165</td>
<td>$ 1,220</td>
<td>$ 1,277</td>
<td>$ 1,337</td>
</tr>
</tbody>
</table>

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

82.08.02795  FREE PUBLIC HOSPITALS
82.12.02745

Description: Retail sales/use tax does not apply to the purchase or use of tangible personal property by free hospitals when used in the operation of the hospital or the provision of health care services. The exemption requires that the hospital not charge its patients for health care services received.

Purpose: To reduce the cost of health services provided by hospitals that do not charge their patients.

Category/Year Enacted: Other. 1993

Primary Beneficiaries: One such hospital operates in Washington.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Because there is only one taxpayer affected by this exemption, the impact cannot be disclosed publicly.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Nonprofit blood and tissue banks are exempt from retail sales/use tax on purchases of medical supplies, chemicals and materials. However, the exemption does not extend to construction materials, office equipment and supplies, or vehicles.

Purpose: To support the activities of these entities.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Three such organizations operate in Washington.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,481</td>
<td>$ 2,531</td>
<td>$ 2,582</td>
<td>$ 2,634</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 922</td>
<td>$ 940</td>
<td>$ 959</td>
<td>$ 978</td>
</tr>
</tbody>
</table>

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

---

Description: Sales of human blood, tissue, organs, bodies or body parts are exempt from retail sales/use tax, when they are used for medical research or quality control testing.

Purpose: To support medical research in Washington.

Category/Year Enacted: Other. 1996

Primary Beneficiaries: Medical research organizations.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 122</td>
<td>$ 134</td>
<td>$ 148</td>
<td>$ 162</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 45</td>
<td>$ 50</td>
<td>$ 55</td>
<td>$ 60</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.02807  SUPPLIES FOR PROCUREMENT OF HUMAN ORGS
82.12.02749

Description: Exemption from retail sales/use tax is allowed for medical supplies, chemicals or materials purchased by organ procurement organizations, as defined in federal law 42 U.S.C. Sec. 273(b).

Purpose: To support the activities of these organizations by allowing the same treatment provided for blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: It is believed that two entities qualify for the exemption.

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? Yes.

82.08.0281  PRESCRIPTION DRUGS
82.12.0275

Description: Drugs prescribed for use by humans, drugs and devices prescribed for birth control, and drugs and devices for birth control that are dispensed by certain family planning clinics are exempt from retail sales/use tax, as long as the drugs are prescribed by a physician. The exemption is available for all levels of sales and distribution. It is not required that a hospital or physician make a specific charge to the patient for prescription drugs dispensed under a physician's order.

Purpose: To reduce the cost of health care.


Primary Beneficiaries: Patients, physicians and hospitals who purchase prescription drugs and patients and family planning clinics that purchase drugs and devices for birth control purposes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$404,220</td>
<td>$439,610</td>
<td>$478,009</td>
<td>$519,957</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$150,283</td>
<td>$163,440</td>
<td>$177,750</td>
<td>$193,312</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – HEALTH-RELATED PURCHASES

82.08.0283  MEDICAL DEVICES, NATUROPATHIC MEDICINE AND OXYGEN
82.12.0277

Description: Exemption from retail sales/use tax is provided for the following health-related products or devices: (1) prosthetic devices, including eyeglasses and frames, that are prescribed for individuals by a person licensed by the state to prescribe them; (2) medically prescribed oxygen and oxygen delivery systems; (3) medicine of mineral, animal or botanical origin that is prescribed, administered, dispensed or used in the treatment of an individual by a naturopath; and (4) components of prosthetic devices and charges for repairing devices exempted by this statute. Hearing aids, ostomy items and insulin were shifted to other statutes in 2004.

Purpose: To lessen the cost of medical care.


Primary Beneficiaries: Individuals who have medical conditions requiring the use of these devices.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  FY 2012  FY 2013  FY 2014  FY 2015
State tax           $ 3,596  $ 3,719  $ 3,848  $ 3,984
Local taxes         $ 1,337  $ 1,383  $ 1,431  $ 1,481

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

82.08.803  NEBULIZERS
82.12.803

Description: Exemption from retail sales/use tax in the form of a refund is allowed for nebulizers which are prescribed for human use by a physician. Sellers must collect the sales tax, and then the buyer must apply to the Department for a refund. A nebulizer is a device that converts a liquid medication into a mist so that it can be inhaled by the patient. Included in the exemption are repair and replacement parts for nebulizers, as well as labor and service charges for cleaning, repairing, etc. Note: nebulizers were previously exempt from sales/use tax; however, the word of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.

Purpose: To lessen the cost of nebulizers.

Category/Year Enacted: Individuals. 2004; previously exempt as drug delivery systems.

Primary Beneficiaries: Persons who use prescribed nebulizers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  FY 2012  FY 2013  FY 2014  FY 2015
State tax           $ 345   $ 377   $ 412   $ 450
Local taxes         $ 128   $ 140   $ 153   $ 167

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.804   OSTOMIC ITEMS
82.12.804

Description: Exemption from retail sales/use tax is provided for ostomic items used by colostomy, ileostomy or urostomy patients. Such items refer to disposable medical supplies such as bags, belts, tape, tubes, soap, jellies, germicides, etc. The exemption does not extend to undergarments, pads or shields, sponges or rubber sheets. (Note: ostomic items were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of ostomic items.

Category/Year Enacted: Individuals. 2004; previous these were exempt under RCW 82.08.804.

Primary Beneficiaries: Colostomy, ileostomy or urostomy patients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 215</td>
<td>$ 215</td>
<td>$ 215</td>
<td>$ 215</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 80</td>
<td>$ 80</td>
<td>$ 80</td>
<td>$ 80</td>
</tr>
</tbody>
</table>

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

82.08.808   COMPREHENSIVE CANCER CENTERS
82.12.808

Description: Exemption from retail sales/use tax is provided for the sale of medical supplies, chemicals, or materials to a comprehensive cancer center. The exemption does not extend to construction, office equipment, administrative supplies or vehicles.

Purpose: To encourage cancer research.

Category/Year Enacted: Nonprofit – health or social welfare. 2005

Primary Beneficiaries: One entity

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.925  DIETARY SUPPLEMENTS
82.12.925

Description: Dietary supplements for human use, dispensed or to be dispensed to patients pursuant to a prescription, are exempt from retail sales/use tax. (Note: dietary supplements were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of prescribed dietary supplements.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Persons who take dietary supplements.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 468</td>
<td>$ 508</td>
<td>$ 552</td>
<td>$ 599</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 174</td>
<td>$ 189</td>
<td>$ 205</td>
<td>$ 223</td>
</tr>
</tbody>
</table>

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

82.08.935  DRUG DELIVERY SYSTEMS
82.12.935

Description: Disposable devices used to deliver drugs for human use are exempt from retail sales/use tax. This includes items such as syringes, tubing and catheters. (Note: these devices were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of drug delivery systems.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Hospitals, physicians, and patients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 422</td>
<td>$ 422</td>
<td>$ 422</td>
<td>$ 422</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 156</td>
<td>$ 156</td>
<td>$ 156</td>
<td>$ 156</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.940 OVER-THE-COUNTER DRUGS THAT ARE PRESCRIBED
82.12.940

Description: Over-the-counter drugs for human use that are either prescribed directly for patients or are purchased by hospitals or other medical facilities to be prescribed to patients, are exempt from retail sales/use tax. (Note: these drugs were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of such drugs.

Category/Year Enacted: Individuals. 2003; previously these were exempt under RCW 82.08.0281.

Primary Beneficiaries: Hospitals, physicians and patients.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 23,187</td>
<td>$ 24,346</td>
<td>$ 25,564</td>
<td>$ 26,842</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 8,621</td>
<td>$ 9,052</td>
<td>$ 9,504</td>
<td>$ 9,979</td>
</tr>
</tbody>
</table>

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

82.08.945 KIDNEY DIALYSIS EQUIPMENT
82.12.945

Description: This statute specifically exempts kidney dialysis devices for human use from retail sales/use tax. The exemption includes repair and replacement parts for such equipment. (Note: dialysis systems were previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of dialysis equipment.

Category/Year Enacted: Other business. 2003; previously this equipment was exempt under RCW 82.08.0283.

Primary Beneficiaries: Hospitals and clinics that purchase such equipment and ultimately the patients who use them.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 499</td>
<td>$ 529</td>
<td>$ 561</td>
<td>$ 594</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 186</td>
<td>$ 197</td>
<td>$ 208</td>
<td>$ 221</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.985 INSULIN
82.12.985

Description: Insulin for use by humans is exempt from retail sales/use tax. (Note: insulin was previously exempt from sales/use tax. However, the wording of this exemption was necessary to conform to the Streamline Sales and Use Tax Agreement.)

Purpose: To lessen the cost of insulin.

Category/Year Enacted: Individuals. 2004 (previously exempt under RCW 82.08.0283)

Primary Beneficiaries: Persons with diabetes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,962</td>
<td>$ 2,060</td>
<td>$ 2,163</td>
<td>$ 2,271</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 729</td>
<td>$ 766</td>
<td>$ 804</td>
<td>$ 844</td>
</tr>
</tbody>
</table>

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

82.08.997 TEMPORARY MEDICAL HOUSING

Description: Temporary medical housing provided by health or social welfare organizations is exempt from retail sales tax and other taxes levied on the sale of lodging to consumers. The exemption applies to housing for patients while they are undergoing treatment at a hospital or outpatient clinic, as well as the immediate family of the patient.

Purpose: To lessen the cost of housing for patients and their families.

Category/Year Enacted: Nonprofit – health or social welfare. 2008

Primary Beneficiaries: Persons seeking medical treatment away from their homes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 150</td>
<td>$ 153</td>
<td>$ 156</td>
<td>$ 159</td>
</tr>
<tr>
<td>Local taxes*</td>
<td>$ 133</td>
<td>$ 136</td>
<td>$ 139</td>
<td>$ 142</td>
</tr>
</tbody>
</table>

*Includes various lodging taxes and room charges.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
**82.08.0205  WASTE VEGETABLE OIL**

**Description:** Retail sales & use tax does not apply to sales of waste vegetable oil that will be used by the purchaser in the production of biodiesel for personal use (i.e., not for resale). Waste vegetable oil refers to cooking oil gathered from restaurants or commercial food processors.

**Purpose:** To encourage the reuse of cooking oil as fuel.

**Category/Year Enacted:** Other. 2008

**Primary Beneficiaries:** Small scale biodiesel producers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 238</td>
<td>$ 243</td>
<td>$ 249</td>
<td>$ 255</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 83</td>
<td>$ 85</td>
<td>$ 87</td>
<td>$ 89</td>
</tr>
</tbody>
</table>

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

---

**82.08.809  ALTERNATIVE FUEL VEHICLES**

**Description:** Retail sales & use tax does not apply to sales of new passenger cars and light duty trucks which are powered exclusively by a clean-burning, alternative fuel such as natural gas, propane, hydrogen or electricity. In 2010 the exemption was expanded to include qualifying used passenger cars, light duty trucks and medium duty passenger vehicles which were modified after the initial purchase to be exclusively powered by a clean alternative fuel. This exemption is scheduled to expire on July 1, 2015.

**Purpose:** To encourage the sale of alternative fuel vehicles.

**Category/Year Enacted:** Other. 2005, modified in 2010

**Primary Beneficiaries:** Firms that sell, and customer that purchase, alternative fuel vehicles.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 238</td>
<td>$ 243</td>
<td>$ 249</td>
<td>$ 255</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 83</td>
<td>$ 85</td>
<td>$ 87</td>
<td>$ 89</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.815  AUXILIARY POWER EQUIPMENT FOR TRUCKS
82.12.815

Description: Retail sales/use tax does not apply to sales of machinery and equipment or services rendered in the construction, installation, repair, etc. of facilities that are necessary to deliver auxiliary power to heavy duty diesel vehicles through onboard or stand-alone electrification systems. This exemption is scheduled to expire on July 1, 2015.

Purpose: To reduce diesel engine air pollution by encouraging truck stop operators to provide electric power to truck systems.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Owners of truck stops.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1</td>
<td>$1</td>
<td>$1</td>
<td>$1</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

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

82.08.816  BATTERIES AND INFRASTRUCTURE FOR ELECTRIC VEHICLES
82.12.816

Description: Retail sales/use tax exemption is provided for: (1) sales of batteries for electric vehicles; (2) labor and service incurred in installing, repairing, altering or improving electric vehicle batteries; (3) labor and service incurred in installing, constructing, repairing or improving electric vehicle infrastructure; and (4) tangible personal property which becomes a component of electric vehicle infrastructure. This exemption is scheduled to expire on January 1, 2020.

Purpose: To encourage the installation of electric vehicle infrastructure and the use of electric vehicles.

Category/Year Enacted: Individuals. 2009

Primary Beneficiaries: Owners of electric vehicles.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Only one infrastructure project is know and it is almost complete; no future projects are planned at this time. Sales of batteries for electric vehicles are considered to be minimal during the forecast period for this study.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.825  AUXILIARY POWER EQUIPMENT FOR TRUCKS
82.12.825

Description: Retail sales/use tax does not apply to sales of machinery and equipment or installation services associated with modification of heavy duty diesel vehicles to enable the vehicle to utilize auxiliary electrical power through onboard or stand-alone electrification systems. This exemption expires on July 1, 2015.

Purpose: To reduce diesel engine air pollution by encouraging operators of diesel trucks to install the necessary onboard electrification system to utilize the "shore" power at truck stops.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Operators of heavy duty diesel trucks.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  It is believed that there will be minimal utilization of this tax incentive.

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

82.08.955  DISTRIBUTION OF BIODIESEL OR E85 FUEL
82.12.955

Description: Exemption from retail sales/use tax is allowed for machinery and equipment which is used directly to facilitate the retail sale of biodiesel blend or E85 motor fuel. Biodiesel is derived from vegetable oils or animal fats. E85 is a blend of ethanol and hydrocarbon in which the ethanol portion is comprised of from 75 to 85 percent denatured fuel ethanol. The exemption also includes fuel delivery vehicles, as well as labor or services for repairing such vehicles and repair and replacement parts. This exemption is scheduled to expire on July 1, 2015.

Purpose: To encourage fuel dealers to sell biodiesel and alcohol fuels.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Dealers and distributors of alternative fuels

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 10</td>
<td>$ 10</td>
<td>$ 10</td>
<td>$ 10</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 4</td>
<td>$ 4</td>
<td>$ 4</td>
<td>$ 4</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.956   HOG FUEL
82.12.956

Description: Exemption from retail sales/use tax is allowed for hog fuel which is used to produce electricity, steam, heat, or biofuel. Hog fuel is defined as wood waste and other wood residuals including forest derived biomass. This exemption is scheduled to expire on June 30, 2013.

Purpose: To support production of alternative fuels.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: The forest products industry.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 978</td>
<td>$ 978</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 360</td>
<td>$ 360</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

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

82.08.957   FOREST BIOMASS
82.12.957

Description: Exemption from retail sales/use tax is allowed for forest-derived biomass which is used to produce electricity, steam, heat, or biofuel as defined in RCW 43.325.010. This exemption is scheduled to expire on June 30, 2013.

Purpose: To support production of alternative fuels.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: The forest products industry.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) The impact is included above under RCW 82.08.956.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – ENERGY CONSERVATION

82.08.962 RENEWABLE ENERGY EQUIPMENT
82.12.962

Description: Exemption from retail sales/use tax is available in the form of a refund for renewable energy machinery and equipment that is used directly in generating electricity from wind, sun, fuel cells, biomass, tidal or wave energy, geothermal resources, anaerobic digestion, and technology that converts otherwise lost energy from exhaust or landfill gas into electricity. Included in the exemption is installation labor and services. The purchaser of the equipment must develop a facility capable of generating at least 1,000 watts. Beginning July 1, 2011 the exemption applies to only 75 percent of the cost of the facility. This exemption is scheduled to expire on June 30, 2013.

Purpose: To support generation of electricity from renewable energy resources.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: The costs of solar generation continue to exceed those of conventional generation facilities, although technology improvements may lower the cost and increase utilization of solar power in the future. Wind power represents the majority of the impact of this exemption.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  FY 2012  FY 2013  FY 2014  FY 2015
State tax $ 20,771  $ 20,960  $ 0  $ 0
Local taxes $ 7,682  $ 7,752  $ 0  $ 0

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

82.08.963 SOLAR ENERGY EQUIPMENT
82.12.963

Description: Exemption from retail sales/use tax is provided for machinery and equipment that is used directly in generating electricity using solar energy at a facility which is capable of generating not more than ten kilowatts of electricity. Included in the exemption is installation labor and services. The purchaser of the equipment must develop a facility capable of generating at least 1,000 watts. This exemption is scheduled to expire on June 30, 2013.

Purpose: To support generation of electricity using smaller solar facilities.

Category/Year Enacted: Business incentive. 2009

Primary Beneficiaries: Purchasers of solar energy equipment.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  FY 2012  FY 2013  FY 2014  FY 2015
State tax $ 975  $ 1,138  $ 0  $ 0
Local taxes $ 390  $ 445  $ 0  $ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Retail sales/use tax does not apply to sales of tangible personal property used in the weatherization of a residence under the low-income residential weatherization program in Chapter 70.164 RCW. To qualify for exemption the items must become a component of the residence. Examples include insulation, and sealants, heating and cooling equipment, and supplies to seal and repair ducts. The exemption does not extend to charges for labor and services associated with installation.

Purpose: To lower the cost of weatherization materials, so that more low-income households can be served under the Department of Commerce’s weatherization program.

Category/Year Enacted: Individuals. 2008

Primary Beneficiaries: Low income residents.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 301</td>
<td>$ 313</td>
<td>$ 326</td>
<td>$ 339</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 120</td>
<td>$ 125</td>
<td>$ 130</td>
<td>$ 135</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
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 purchase personal and professional services, as well as the businesses that provide these services.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$1,578,190</td>
<td>$1,663,294</td>
<td>$1,849,000</td>
<td>$1,908,118</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 737,547</td>
<td>$ 777,319</td>
<td>$ 816,723</td>
<td>$ 842,837</td>
</tr>
</tbody>
</table>

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

*There are many types of services. To provide more detail, a breakdown of the above estimates is shown below for four major subcategories of services. This is somewhat arbitrary, as the differences among these categories are not always distinct (e.g. both individuals and businesses purchase legal services):*

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State tax</td>
<td>$734,294</td>
<td>$784,452</td>
<td>$884,706</td>
<td>$912,992</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$343,163</td>
<td>$366,603</td>
<td>$390,784</td>
<td>$403,279</td>
</tr>
<tr>
<td>Consumer Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State tax</td>
<td>$ 99,828</td>
<td>$103,938</td>
<td>$114,017</td>
<td>$117,662</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 46,653</td>
<td>$ 48,574</td>
<td>$ 50,362</td>
<td>$ 51,973</td>
</tr>
<tr>
<td>Financial Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State tax</td>
<td>$196,678</td>
<td>$206,255</td>
<td>$227,982</td>
<td>$235,272</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 91,915</td>
<td>$ 96,391</td>
<td>$100,702</td>
<td>$103,922</td>
</tr>
<tr>
<td>Medical Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State tax</td>
<td>$547,390</td>
<td>$568,649</td>
<td>$622,295</td>
<td>$642,192</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$255,816</td>
<td>$265,751</td>
<td>$274,875</td>
<td>$283,663</td>
</tr>
</tbody>
</table>
82.04.050(2a)  SELF-SERVICE LAUNDRY FACILITIES

Description: Charges for the use of self-service laundry facilities are excluded from the definition of retail sale. As a result, firms that provide laundry machines on an individual use basis (e.g., in laundromats) do not collect sales tax but are subject to B&O tax under the service classification.

Purpose: To equalize the tax treatment with coin-operated apartment laundry facilities.

Category/Year Enacted: Individuals. 1998; major expansion to all self-service facilities in 2005.

Primary Beneficiaries: Firms that operate coin-operated laundry machines and the customers who use laundry facilities in laundromats and apartment buildings.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,050</td>
<td>$ 1,061</td>
<td>$ 1,133</td>
<td>$ 1,145</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 491</td>
<td>$ 496</td>
<td>$ 501</td>
<td>$ 506</td>
</tr>
</tbody>
</table>

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 of 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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 17,696</td>
<td>$ 18,383</td>
<td>$ 20,117</td>
<td>$ 20,760</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 8,270</td>
<td>$ 8,591</td>
<td>$ 8,886</td>
<td>$ 9,170</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$3,302</td>
<td>$3,334</td>
<td>$3,563</td>
<td>$3,599</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$1,543</td>
<td>$1,558</td>
<td>$1,574</td>
<td>$1,590</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$39,265</td>
<td>$45,727</td>
<td>$51,576</td>
<td>$53,442</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$18,163</td>
<td>$21,152</td>
<td>$22,550</td>
<td>$23,366</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
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, and to recognize the increasing frequency of these transactions over the Internet.

**Category/Year Enacted:** Other business. 1985

**Primary Beneficiaries:** Sellers and purchasers of coin, bullion and precious metals.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$12,513</td>
<td>$13,137</td>
<td>$13,793</td>
<td>$14,482</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$4,813</td>
<td>$5,053</td>
<td>$5,305</td>
<td>$5,570</td>
</tr>
</tbody>
</table>

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

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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$103,649</td>
<td>$104,686</td>
<td>$105,733</td>
<td>$106,790</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$38,535</td>
<td>$38,921</td>
<td>$39,310</td>
<td>$39,703</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0203  TRAIL GROOMING SERVICES

Description: Retail sales tax does not apply to sales of trail grooming services to the state of Washington or to nonprofit corporations organized under Chapter 24.03 RCW. Trail grooming is defined as the activity of snow compacting, snow redistribution or snow removal on state or privately-owned trails.

Purpose: To provide higher quality and safe cross-country ski trails and to promote tourism.

Category/Year Enacted: Other. 2008

Primary Beneficiaries: The state of Washington and nonprofit organizations which operate cross-country ski trails.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 7</td>
<td>$ 7</td>
<td>$ 8</td>
<td>$ 8</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
<td>$ 3</td>
</tr>
</tbody>
</table>

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

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 of Revenue 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.


Primary Beneficiaries: Publishers and purchasers of newspapers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 7,904</td>
<td>$ 7,681</td>
<td>$ 7,464</td>
<td>$ 7,254</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 2,939</td>
<td>$ 2,856</td>
<td>$ 2,775</td>
<td>$ 2,697</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 460</td>
<td>$ 473</td>
<td>$ 488</td>
<td>$ 503</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 171</td>
<td>$ 176</td>
<td>$ 181</td>
<td>$ 186</td>
</tr>
</tbody>
</table>

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

82.08.02537  ACADEMIC TRANSCRIPTS

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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 124</td>
<td>$ 124</td>
<td>$ 125</td>
<td>$ 125</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 37</td>
<td>$ 37</td>
<td>$ 37</td>
<td>$ 37</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.0255(1f) MOTOR VEHICLE/SPECIAL FUEL USED ON PUBLIC HIGHWAYS
82.12.0256(2d)

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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$820,447</td>
<td>$830,821</td>
<td>$841,328</td>
<td>$851,967</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$305,029</td>
<td>$308,887</td>
<td>$312,793</td>
<td>$316,748</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,738</td>
<td>$ 4,833</td>
<td>$ 4,930</td>
<td>$ 5,028</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,758</td>
<td>$ 1,793</td>
<td>$ 1,829</td>
<td>$ 1,866</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$100</td>
<td>$103</td>
<td>$107</td>
<td>$111</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$35</td>
<td>$36</td>
<td>$37</td>
<td>$38</td>
</tr>
</tbody>
</table>

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

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-operated 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.


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

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$43,373</td>
<td>$43,373</td>
<td>$43,373</td>
<td>$43,373</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$16,185</td>
<td>$16,185</td>
<td>$16,185</td>
<td>$16,185</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – OTHER EXEMPTIONS

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.


Primary Beneficiaries: Approximately 250 nonprofit youth organizations and their members.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 5,120</td>
<td>$ 5,274</td>
<td>$ 5,432</td>
<td>$ 5,595</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,906</td>
<td>$ 1,964</td>
<td>$ 2,022</td>
<td>$ 2,083</td>
</tr>
</tbody>
</table>

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

82.08.0293 FOOD PRODUCTS
82.12.0293

Description: Food and food ingredients purchased for human consumption are exempt from retail sales/use tax. The exemption also applies to food and food ingredients that are furnished, prepared, or served as meals to qualified low-income senior citizens as described in RCW 82.08.0293(4). Excluded from the definition of food are alcoholic beverages, tobacco products, soft drinks, and dietary supplements. The exemption does not apply to prepared foods.

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

Category/Year Enacted: Individuals. 1982. NOTE, the original statute was adopted in 1977 by initiative of the voters in November 1977, effective July 1, 1978. 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 and Use 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 products.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$973,940</td>
<td>$1,019,870</td>
<td>$1,067,966</td>
<td>$1,118,330</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$362,096</td>
<td>$ 379,172</td>
<td>$ 397,053</td>
<td>$ 415,778</td>
</tr>
</tbody>
</table>

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. Department 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 (denoted as “Basic Foods”) 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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$19,511</td>
<td>$19,470</td>
<td>$19,432</td>
<td>$19,399</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$7,254</td>
<td>$7,239</td>
<td>$7,225</td>
<td>$7,212</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, however, the state would have to forego participation in the federal food stamp program.

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:** Approx. 300 – 325 artistic and cultural organizations and their patrons.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$2,276</td>
<td>$2,276</td>
<td>$2,276</td>
<td>$2,276</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$721</td>
<td>$721</td>
<td>$721</td>
<td>$721</td>
</tr>
</tbody>
</table>

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 sales/use tax is allowed for the sale, rental or lease (more than 30 days) of used park-model trailers. These units are travel trailers of no more than 400 square feet in area 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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 235</td>
<td>$ 235</td>
<td>$ 235</td>
<td>$ 235</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 79</td>
<td>$ 79</td>
<td>$ 79</td>
<td>$ 79</td>
</tr>
</tbody>
</table>

*Impact is net of state and local real estate excise taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but unlike normal residential property, these units would be subject to both sales/use tax and real estate excise tax.
**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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)*</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 14,484</td>
<td>$ 14,574</td>
<td>$ 14,661</td>
<td>$ 14,749</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 4,857</td>
<td>$ 4,886</td>
<td>$ 4,915</td>
<td>$ 4,945</td>
</tr>
</tbody>
</table>

*Impact is net of state and local real estate excise taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but unlike normal residential property, these units would be subject to both sales/use tax and real estate excise tax.
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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 125</td>
<td>$ 125</td>
<td>$ 125</td>
<td>$ 125</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 42</td>
<td>$ 42</td>
<td>$ 42</td>
<td>$ 42</td>
</tr>
</tbody>
</table>

*Impact is net of state and local real estate excise taxes.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but unlike normal residential property, these units would be subject to both sales/use tax and real estate excise tax.

82.08.080  VENDING MACHINE SALES

Description: The selling price for purposes of calculating retail sales tax on sales of tangible personal property made via a vending machine is 60 percent of the gross receipts of the total sales made via the machine.

Purpose: To clarify and ease the calculation of retail sales tax on items sold via a vending machine at a fixed price.

Category/Year Enacted: Other business. 1963

Primary Beneficiaries: Operators of vending machines.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
<td>$ 70</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.08.807 DELIVERY CHARGES FOR DIRECT MAIL
82.12.807

Description: Retail sales/use tax does not apply to delivery charges made for direct mail, if the charges are separately stated on the billing given to the purchaser. Direct mail refers to printed material delivered without charge to a mass audience or a mailing list provided by the purchaser.

Purpose: To clarify the taxation of delivery charges for direct mail.

Category/Year Enacted: Other business. 2005

Primary Beneficiaries: Direct mail service providers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 211</td>
<td>$ 218</td>
<td>$ 226</td>
<td>$ 234</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 78</td>
<td>$ 81</td>
<td>$ 84</td>
<td>$ 87</td>
</tr>
</tbody>
</table>

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

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.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 156</td>
<td>$ 158</td>
<td>$ 159</td>
<td>$ 161</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 58</td>
<td>$ 59</td>
<td>$ 59</td>
<td>$ 60</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 18</td>
<td>$ 18</td>
<td>$ 19</td>
<td>$ 20</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 7</td>
<td>$ 7</td>
<td>$ 7</td>
<td>$ 8</td>
</tr>
</tbody>
</table>

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 exemption does not change the taxability of electricity and steam, which had previously been excluded from the definition of tangible personal property subject to Washington sales/use tax. However, the exemption was necessary to bring Washington sales tax law into conformity with the Streamline Sales and Use Tax Agreement.)

Purpose: For consistency with the Streamlined Sales and Use Tax Agreement.

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.
82.12.860  CREDIT UNIONS – CONVERSION TO STATE CHARTER

Description: State-chartered credit unions are exempt from use tax on any tangible personal property, services, or extended warranties acquired from a federal, out-of-state or foreign credit union as a result of a merger or conversion.

Purpose: To enable state-chartered credit unions to compete with federally-chartered credit unions.

Category/Year Enacted: Other business. 2006

Primary Beneficiaries: State-chartered credit unions involved in mergers or conversions.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 50</td>
<td>$ 50</td>
<td>$ 50</td>
<td>$ 50</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 19</td>
<td>$ 19</td>
<td>$ 19</td>
<td>$ 19</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RETAIL SALES/USE TAXES – DEFERRALS AND CREDITS

47.01.412  HIGHWAY 520 BRIDGE REPLACEMENT

Description:  Any persons involved in the construction of the state route 520 bridge replacement over Lake Washington and the related HOV project may apply for deferral of state and local sales/use tax on the project.  This includes site preparation, construction, purchase of machinery which becomes incorporated into the project, and rental of necessary equipment. Repayment of the deferred sales/use tax will begin in the fifth year after the project is certified as operationally complete. Annual repayment of 10 percent of the deferral taxes will take place over a ten year period.

Purpose:  To encourage construction of the 520 bridge replacement and HOV project.

Category/Year Enacted:  Business incentive.  2008

Primary Beneficiaries:  Washington State Department of Transportation and contractors on the project.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 13,645</td>
<td>$ 27,289</td>
<td>$ 27,289</td>
<td>$ 23,323</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$  5,506</td>
<td>$ 11,013</td>
<td>$ 11,013</td>
<td>$  9,412</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes, however, the amount of deferred tax will eventually be repaid.

82.08.037  BAD DEBTS
82.12.037

Description:  A credit or refund against current sales tax liability is allowed for retail sales taxes previously remitted to the state on debts that are deductible as worthless for federal income tax purposes. Only the original seller may claim a credit or refund; claims are not assignable to third parties.

Purpose:  To limit a seller's tax liability to sales for which the seller actually receives payment.

Category/Year Enacted:  Other business.  1982, modified in 2010.

Primary Beneficiaries:  Firms that make sales on credit.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 10,398</td>
<td>$ 11,148</td>
<td>$ 11,953</td>
<td>$ 12,816</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$  3,866</td>
<td>$  4,145</td>
<td>$  4,444</td>
<td>$  4,765</td>
</tr>
</tbody>
</table>

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

**Description:** A credit or refund of retail sales tax paid is allowed to manufacturers of vehicles, if they refund the sales tax to customers upon the return of new vehicles under the provisions of Chapter 19.118 RCW, commonly known as the “lemon” law.

**Purpose:** To assure that manufacturers are not financially responsible for the sales tax, if they refund the tax previously collected to customers.

**Category/Year Enacted:** Other business. 1987

**Primary Beneficiaries:** Manufacturers of new motor vehicles that are found to be defective and ultimately the purchasers of these vehicles.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 33</td>
<td>$ 33</td>
<td>$ 33</td>
<td>$ 33</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 12</td>
<td>$ 12</td>
<td>$ 12</td>
<td>$ 12</td>
</tr>
</tbody>
</table>

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

82.32.760 (1, b)    COSTS TO IMPLEMENT SALES TAX DESTINATION SOURCING

**Description:** Retailers that have annual gross incomes of less than $500,000 and have at least five percent of their gross income derived from sales of goods that are delivered outside of jurisdictions where they have a physical presence are allowed to choose one of two alternatives methods of tax relief to help small businesses mitigate the costs of switching from origin-based sourcing of local sales tax to destination-based sourcing. The first alternative allows them to use the services of a certified service provider for up to two years at no cost. The second option is to take a credit for their actual costs up to a maximum of $1,000 against their state retail sales/use tax liability. The credit must be first claimed within one year from July 1, 2008.

**Purpose:** To help small retailers make the transition from origin-based sourcing to destination-base sourcing of local sales tax liability, as required by the Streamline Sales and Use Tax Agreement.

**Category/Year Enacted:** Other business. 2007

**Primary Beneficiaries:** Small retailers that make deliveries to other jurisdictions.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3</td>
<td>$ 2</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.34.050(2) POLLUTION CONTROL CREDIT

Description: Construction of required pollution control facilities associated with approved applications received between July 30, 1967 and November 30, 1981 were exempt from state retail sales/use tax. If the tax was previously paid, it may be taken as a credit against state B&O, public utility or use taxes.

Purpose: To encourage abatement of pollution and to compensate Washington firms for the costs of upgrading pollution control facilities.

Category/Year Enacted: Other business. 1967; program terminated in 1981, but remaining credits still allowed.

Primary Beneficiaries: Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Impact, if any, is included with the credit under the B&O tax, RCW 82.04.427.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly for future investment in pollution control equipment.
Description: Deferral of state and local retail sales/use tax is available for new or remodeled buildings and/or equipment used in manufacturing or R&D activities in certain areas. To qualify, the project must be located in a county with a rate of unemployment that is at least 20 percent greater than the statewide average for three calendar years prior to the determination of qualifying counties (updated every two years). The criterion for county qualification was revised in 2010. Previously, 32 counties qualified for the deferral as “rural” based on population density. Starting July 1, 2010 only firms in counties with higher than average unemployment rates may apply for the incentive. Investments in designated community empowerment zones (CEZs) also are eligible. Originally, the sales/use tax liability was deferred for three years, followed by a five year graduated repayment. Since July 1, 1994, the repayment requirement has been waived (provided program requirements are maintained), thereby making the program an outright exemption. The statute is currently scheduled to expire on July 1, 2020.

Purpose: To encourage manufacturing and R&D activities, and related job creation, in areas with relatively high unemployment rates.


Primary Beneficiaries: As of September 2011, approximately 20 applications have been approved for projects in high unemployment counties since the 2010 change in eligibility. Currently, firms in 13 counties are eligible for the program, compared with 32 counties under the prior “rural” designation.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 3,583</td>
<td>$ 3,801</td>
<td>$ 3,985</td>
<td>$ 4,179</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,018</td>
<td>$ 1,080</td>
<td>$ 1,132</td>
<td>$ 1,188</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Deferral of state and local retail sales/use tax is allowed for the construction of buildings and acquisition of machinery and equipment for projects involving research and development or pilot scale manufacturing. To qualify, the firm must be engaged in one of five areas related to high technology: advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology. Originally, the sales/use tax liability was deferred for three years, followed by a five year graduated repayment. Since 1995 the repayment requirement has been waived (provided program requirements are maintained), thereby making the program an outright exemption. The statute is currently scheduled to expire on January 1, 2015.

Purpose: To stimulate the creation of high wage jobs in high technology industries and ultimately to encourage the expansion of manufacturing in Washington.


Primary Beneficiaries: Since 1994, there have been over 750 approved applications for this incentive.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 35,349</td>
<td>$ 35,871</td>
<td>$ 37,775</td>
<td>$ 19,332</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 13,142</td>
<td>$ 13,337</td>
<td>$ 14,033</td>
<td>$  7,176</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.74.030  PROCESSING FACILITIES: FRUIT, VEGETABLES, DAIRY, SEAFOOD

Description: Deferral and waiver of retail sales/use taxes is allowed for investment in facilities used to process fresh fruit and vegetables or cold storage warehouses for storing such product. Facilities devoted to R&D activities for processing of such products, as well as manufacturing dairy products, seafood products and wine are also included. The deferral applies to construction or expansion of eligible facilities or acquisition of new equipment. The deferral program expires on July 1, 2012.

Purpose: To support the food processing industry.


Primary Beneficiaries: Eligible firms in these industries that expand their facilities.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,073</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 1,379</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

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

82.75.030  BIOTECHNOLOGY INVESTMENTS

Description: Deferral/exemption of retail sales/use tax is allowed for construction and eligible equipment for facilities devoted to manufacturing of biotechnology products or medical devices. Biotech products include items such as viruses, serums, antibodies, proteins, vaccines, blood and blood derivatives and similar items used in the prevention and treatment of diseases of injuries to humans. Medical devices are items intended for use in the diagnosis, prevention or treatment of diseases in humans or animals. Repayment of the deferred sales/use tax is required only if the facility or equipment is used for a non-qualifying purposes. New applications for the program will not be accepted on January 1, 2017.

Purpose: To encourage biotechnology manufacturing in Washington.

Category/Year Enacted: Business incentive. 2006

Primary Beneficiaries: Approximately seven firms.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 435</td>
<td>$ 459</td>
<td>$ 483</td>
<td>$ 506</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 166</td>
<td>$ 175</td>
<td>$ 184</td>
<td>$ 193</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.82.030 CORPORATE HEADQUARTERS IN A COMMUNITY EMPOWERMENT ZONE

Description: A deferral of retail sales and use tax is allowed for projects that are to be used as a corporate headquarters and are located in a community empowerment zone (CEZ). Businesses using this deferral are required to have at least 300 employees at the facility that earn above the statewide average wage and they must invest at least $30 million in the cost of the facility. The employees do not need to be new hires but must be retained for at least one year. No more than two projects can be approved for this incentive in any single biennium, and no more than one can be located in any specific CEZ. Repayment of the deferred taxes is waived if the program requirements continue to be met, thereby making the incentive a tax exemption. The statute is scheduled to expire on December 31, 2020.

Purpose: To stimulate the creation of high wage jobs in community empowerment zones.

Category/Year Enacted: Business incentive. 2008

Primary Beneficiaries: Businesses that construct a corporate headquarters facility in a community empowerment zone. However, none have done so to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000): None.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, if any firm had utilized the incentive.
BROKERED NATURAL GAS USE TAX

82.12.022(3)  NATURAL GAS NOT DELIVERED BY PIPELINE

Description: Brokered natural gas does not apply to the use of natural or manufactured gas that is delivered to customers by other means than through a pipeline.

Purpose: This statute was enacted to clarify the application of this tax.

Category/Year Enacted: Tax base. 1994

Primary Beneficiaries: Customers that receive natural gas via other means.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000)  Gas delivered by other means is subject to other excise taxes.

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

82.12.022(4)  NATURAL GAS SUBJECT TO PUBLIC UTILITY TAX

Description: Brokered natural gas tax does not apply to gas upon which public utility tax was paid.

Purpose: Eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, which is the reason that the brokered natural gas tax was originally adopted.

Category/Year Enacted: Tax base. 1989

Primary Beneficiaries: Purchasers of gas via brokers.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 25,729</td>
<td>$ 25,717</td>
<td>$ 25,717</td>
<td>$ 25,717</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 7,881</td>
<td>$ 7,878</td>
<td>$ 7,878</td>
<td>$ 7,878</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
BROKERED NATURAL GAS USE TAX

82.12.022(5)  NATURAL GAS FOR ALUMINUM SMELTERS

Description:  Brokered natural gas tax does not apply to natural or manufactured gas purchased by an aluminum smelter. This exemption is scheduled to expire on January 1, 2017.

Purpose:  To support the aluminum industry.

Category/Year Enacted:  Business incentive.  2004

Primary Beneficiaries:  Aluminum smelters.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  This exemption is utilized by fewer than three firms, and therefore the impact cannot be disclosed publicly.

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

82.12.024  DEFERRAL FOR DIRECT SERVICE INDUSTRIES

Description:  This statute allows a deferral of brokered natural gas tax for a direct service industry (DSI) firm that constructs a new power plant. DSIs are firms that purchase power directly from the Bonneville Power Administration. The amount of deferred brokered natural gas use tax need not be repaid, if the firm continues production and their employment does not drop below base period levels.

Purpose:  To encourage DSI firms to continue manufacturing in Washington after existing power contracts with BPA expire by building their own natural gas powered electric generating facilities.

Category/Year Enacted:  Business incentive.  2001

Primary Beneficiaries:  None to date.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  No firm has yet to apply for the deferral.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes.
82.26.110   TOBACCO PRODUCTS, OUT-OF-STATE SALES, ETC.

Description:  In-state wholesalers of tobacco products can obtain a tax credit for sales to tribal and federal entities. Historically, the Department has not required wholesalers to collect and remit other tobacco products tax on sales to tribal and federal entities, but the treatment of these sales was not clear.

Purpose: To codify existing practice in response to statutory changes and recently settled lawsuits.

Category/Year Enacted: Government. 1959 (clarifying language added in 2007)

Primary Beneficiaries: Wholesalers of tobacco products

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$31,462</td>
<td>$32,286</td>
<td>$33,132</td>
<td>$34,000</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely. Since federal and tribal entities are exempt from the tax, they could acquire their own storage facilities and easily buy from out-of-state wholesalers.
FUEL TAX

35.58.560  REFUND FOR METRO

Description: Metropolitan municipal corporations that function as urban transportation systems are allowed a deduction from motor vehicle fuel tax for each gallon of motor vehicle fuel used. However, if the trip goes more than six road miles beyond the corporate limits of the Metro boundaries, the entire trip is disqualified from the refund.

Purpose: To support public transportation systems.

Category/Year Enacted: Government. 1967

Primary Beneficiaries: Metro transit systems and their patrons.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Data not separately identified by the Department of Licensing. Included under the exemption for Fuel for Urban Transportation Systems, RCW 82.36.275.

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

82.36.029  MOTOR VEHICLE FUEL HANDLING LOSSES

Description: Deduction from motor vehicle fuel tax is allowed to account for losses sustained in handling of the fuel. The reduction in tax liability equals 0.25 percent of the net taxable gallon age for vehicle fuel suppliers acting as a distributor and 0.3 percent for all other licensees.

Purpose: To reflect fuel losses resulting from handling and evaporation.

Category/Year Enacted: Other business. 1939; shifted to current statute in 1998.

Primary Beneficiaries: Distributors of motor vehicle fuel.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 2,749</td>
<td>$ 2,754</td>
<td>$ 2,769</td>
<td>$ 2,737</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.36.044  CREDIT FOR BAD DEBTS

Description:  Motor vehicle fuel suppliers are entitled to a credit for the tax paid on sales of fuel for which the supplier has received no payment from the purchaser.

Purpose:  To recognize that such transactions do not result in revenue for fuel distributors.

Category/Year Enacted:  Other business.  1998

Primary Beneficiaries:  Distributors of fuel.

Possible Program Inconsistency:  None evident.

Taxpayer Savings ($000)  No fuel distributor has taken this credit.

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

82.36.275  FUEL USED IN URBAN TRANSPORTATION SYSTEMS
82.38.080

Description:  Exemption from motor vehicle and special fuel taxes for fuel used in public transportation systems which operate within specified mileage of the city limits from which trips originate.

Purpose:  To support public transportation systems.

Category/Year Enacted:  Government.  1957

Primary Beneficiaries:  Municipal transportation systems and their patrons.

Possible Program Inconsistency:  None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 441</td>
<td>$ 442</td>
<td>$ 445</td>
<td>$ 439</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?  Yes.
82.36.280  REFUNDS FOR NONHIGHWAY USE OF FUEL

Description: A refund of the amount of fuel tax is allowed when the fuel is to be used other than on public highways of Washington in machinery or vehicles that are not licensed for highway use. The amount of fuel tax refunded is subject to state/local use tax which is deducted from the refund amount.

Purpose: Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to assure that the tax applies only to fuel used on public highways.

Category/Year Enacted: Tax base. 1923

Primary Beneficiaries: Non-highway users of fuel, e.g., boaters, farmers, construction firms, etc.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 1,147</td>
<td>$ 1,149</td>
<td>$ 1,155</td>
<td>$ 1,142</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

82.36.285  TRANSPORTATION OF PERSONS WITH SPECIAL NEEDS

82.38.080(1h)

Description: Refunds of motor vehicle fuel tax and exemption from special fuel taxes are provided for private, nonprofit organizations which provide transportation services for persons with special transportation needs.

Purpose: To support transportation programs for the elderly and handicapped.

Category/Year Enacted: Nonprofit - health or social welfare. 1983.

Primary Beneficiaries: Nonprofit transportation providers and the persons they serve.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 180</td>
<td>$ 181</td>
<td>$ 182</td>
<td>$ 180</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.36.290  FUEL USED IN MANUFACTURING OR CLEANING

Description: A refund of motor vehicle fuel tax paid is allowed when the fuel used as an ingredient in a manufacturing process or for cleaning or dyeing or a similar purpose.

Purpose: Under the 18th Amendment, fuel tax receipts can only be used for highway purposes. The refund helps assure that the tax applies only to fuel used on public highways.

Category/Year Enacted: Tax base. 1923

Primary Beneficiaries: Manufacturers and cleaning/dyeing firms.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Data not separately identified by the Department of Licensing. Included under the exemption for Refunds for Non-highway Use of Fuel, RCW 82.36.280.

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

82.38.080  OTHER SPECIAL FUEL TAX EXEMPTIONS

Description: This statute provides a number of exemptions from special fuel tax (propane, natural gas, etc.). These exemptions include fuel used: (1) for heating purposes; (2) certain governmental vehicles – fire trucks, federal government vehicles, state and local vehicles used for street and highway construction and maintenance; (3) urban transportation systems; (4) power take-off units (pumping units on trucks); and (5) others. Some of these have been included with related motor vehicle fuel tax exemptions above.

Purpose: To recognize that some fuels suitable for propelling motor vehicles are also put to other uses and to support governmental entities and public transportation.

Category/Year Enacted: Other. 1971

Primary Beneficiaries: Governmental units; purchasers of heating oil; operators of powered equipment.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$538,246</td>
<td>$539,198</td>
<td>$542,200</td>
<td>$535,968</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Description: The statute that imposes the aircraft fuel tax contains a proviso that exempts aircraft fuel used in the spraying of crops, if the airplane normally flies from a private airport.

Purpose: To lower the tax burden on agriculture.

Category/Year Enacted: Agriculture. 1982

Primary Beneficiaries: Farmers.

Possible Program Inconsistency: None evident.

Taxpayer Savings ($000) Unknown; fuel used for crop dusting is not tracked separately by the Department of Licensing.

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

82.42.020  EMERGENCY MEDICAL AIR TRANSPORT

Description: The statute that imposes the aircraft fuel tax contains a proviso that exempts aircraft fuel used for emergency medical air transport services.

Purpose: To lower the cost of providing emergency medical air transport services.

Category/Year Enacted: Other. 2003

Primary Beneficiaries: Emergency medical air transport operators.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$359</td>
<td>$375</td>
<td>$377</td>
<td>$376</td>
</tr>
<tr>
<td>Local taxes - no local tax levied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
Description: Microbreweries are exempt from the $4.78 per barrel portion of the beer excise tax on the first 60,000 barrels of beer produced each year. In addition, they are exempt from an additional tax of $15.50 per barrel, in effect from June 1, 2010 through June 30, 2013. However, an additional tax of $1.48 levied in 1997 applies to the first 60,000 barrels they produce. Thus, the current exemption amounts to $18.80 through June 30, 2013 and $3.30 thereafter.

Purpose: To mitigate the impact of a general tax increase in 1993 on a growing local industry.

Category/Year Enacted: Business incentive. 1993

Primary Beneficiaries: Small breweries.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$13,520</td>
<td>$13,825</td>
<td>$2,480</td>
<td>$2,536</td>
</tr>
<tr>
<td>Local taxes - none.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
82.45.010 REAL ESTATE EXCISE TAX EXEMPTIONS

Description: This statute lists a variety of types of transfers of real property which are excluded from state and local real estate excise tax. These include transfers by gift or inheritance, transfers with respect to divorce, transfers by governmental entities, condemnations, cemetery lots, etc. It also includes a qualified sale of a manufactured home community that takes place on or after June 12, 2008 but before the end of 2018.

Purpose: To assure that the tax applies only to arm's-length purchases of real estate in situations where the purchase price is reflective of the market price.


Primary Beneficiaries: Persons who acquire real property in the specified situations.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$507,727</td>
<td>$627,956</td>
<td>$642,399</td>
<td>$657,174</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$183,752</td>
<td>$227,264</td>
<td>$232,492</td>
<td>$237,839</td>
</tr>
</tbody>
</table>

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

82.45.195 REAL ESTATE EXCISE TAX: STANDING TIMBER

Description: Sales of timber pursuant to a severance contract are exempt from real estate excise tax if the timber is harvested within 30 months without regard to when title passes or how payment is made. However, such income is subject to state B&O tax at a rate of 0.2904 percent.

Purpose: To provide tax relief to the wood products industry.

Category/Year Enacted: Other business. 2007.

Primary Beneficiaries: Integrated wood products companies and real estate investment trusts.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 234</td>
<td>$ 266</td>
<td>$ 282</td>
<td>$ 291</td>
</tr>
<tr>
<td>Local taxes</td>
<td>$ 132</td>
<td>$ 150</td>
<td>$ 159</td>
<td>$ 164</td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Possibly, but in some of these situations a price equivalent to market value might have to be established.
83.100.020(13)  ESTATE TAX THRESHOLD

Description: The estate tax enacted in 2005 allows an exclusion of the first $2 million of asset value from each taxable estate.

Purpose: To assure that estates of moderate values are not subject to the tax.

Category/Year Enacted: Individuals. 2005

Primary Beneficiaries: Estates with taxable values of less than $2 million.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$395,797</td>
<td>$401,174</td>
<td>$399,432</td>
<td>$402,177</td>
</tr>
<tr>
<td>Local taxes - no local tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

83.100.046  FARM PROPERTY

Description: The estate tax enacted in 2005 allows a deduction for the value of qualified real and personal property used primarily for farming.

Purpose: To support family-farms and encourage surviving family members to continue farming.

Category/Year Enacted: Agriculture. 2005

Primary Beneficiaries: Estates containing property used for active farming purposes.

Possible Program Inconsistency: None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$ 4,431</td>
<td>$ 3,681</td>
<td>$ 4,742</td>
<td>$ 4,023</td>
</tr>
<tr>
<td>Local taxes - no local tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**Description:** Surviving spouses of decedents are allowed to postpone paying the estate tax until the estate passes to other beneficiaries following their death.

**Purpose:** To avoid the surviving spouse having to pay estate tax on community property acquired during their marriage to the decedent.

**Category/Year Enacted:** Tax base. 2005

**Primary Beneficiaries:** Surviving spouses.

**Possible Program Inconsistency:** None evident.

<table>
<thead>
<tr>
<th>Taxpayer Savings ($000)</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State tax</td>
<td>$123,315</td>
<td>$128,693</td>
<td>$131,226</td>
<td>$130,207</td>
</tr>
<tr>
<td>Local taxes - no local tax.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.
RCW 43.06.400
Listing of reduction in revenues from tax exemptions to be submitted to legislature by department of revenue — Periodic review and submission of recommendations to legislature by governor.

(1) Beginning in January 1984, and in January of every fourth year thereafter, the department of revenue must submit to the legislature prior to the regular session a listing of the amount of reduction for the current and next biennium in the revenues of the state or the revenues of local government collected by the state as a result of tax exemptions. The listing must include an estimate of the revenue lost from the tax exemption, the purpose of the tax exemption, the persons, organizations, or parts of the population which benefit from the tax exemption, and whether or not the tax exemption conflicts with another state program. The listing must include but not be limited to the following revenue sources:

(a) Real and personal property tax exemptions under Title 84 RCW;

(b) Business and occupation tax exemptions, deductions, and credits under chapter 82.04 RCW;

(c) Retail sales and use tax exemptions under chapters 82.08, 82.12, and 82.14 RCW;

(d) Public utility tax exemptions and deductions under chapter 82.16 RCW;

(e) Food fish and shellfish tax exemptions under chapter 82.27 RCW;

(f) Leasehold excise tax exemptions under chapter 82.29A RCW;

(g) Motor vehicle and special fuel tax exemptions and refunds under chapters 82.36 and 82.38 RCW;

(h) Aircraft fuel tax exemptions under chapter 82.42 RCW;

(i) Motor vehicle excise tax exclusions under chapter 82.44 RCW; and

(j) Insurance premiums tax exemptions under chapter 48.14 RCW.

(2) The department of revenue must prepare the listing required by this section with the assistance of any other agencies or departments as may be required.

(3) The department of revenue must present the listing to the ways and means committees of each house in public hearings.

(4) Beginning in January 1984, and every four years thereafter the governor is requested to review the report from the department of revenue and may submit recommendations to the legislature with respect to the repeal or modification of any tax exemption. The ways and means committees of each house and the appropriate standing committee of each house must hold public hearings and take appropriate action on the recommendations submitted by the governor.

(5) As used in this section, "tax exemption" means an exemption, exclusion, or deduction from the base of a tax; a credit against a tax; a deferral of a tax; or a preferential tax rate.

(6) For purposes of the listing due in January 2012, the department of revenue does not have to prepare or update the listing with respect to any tax exemption that would not be likely to increase state revenue if the exemption was repealed or otherwise eliminated.

[2011 1st sp.s. c 20 § 201; 1999 c 372 § 5; 1987 c 472 § 16; 1983 2nd ex.s. c 3 § 60.]
This appendix describes the information provided for the exemptions, deductions, differential rates, deferrals and credits considered in this report. As explained earlier, this 2012 report discusses in detail only those exemptions which realistically represent foregone state revenue (due to ESHB 1346 from the 2011 Legislative Session). Thus, although the introductory listing of exemptions includes 640 separate tax exemption statutes, the text provides detail on only 452 of these.

The following explains some of the principal assumptions underlying the study and describes what the data represent for these 452 exemptions.

Description
The first item for each exemption is a short explanation of the exemption. It draws upon the statute, administrative rules of the Department, and discussions with personnel in the agency that collect the tax in question.

Purpose
The second section of each exemption contains a statement with the presumed legislative intent of the statute. In most instances, the law does not explicitly state the intention, so this statement is often only presumed on the part of the analyst. However, for both the description and purpose statements, legal staff of the Department's Office of Legislation and Policy have reviewed the language and made suggestions as to the meaning and intent of the statute.

Category/Year Enacted
In order to produce more meaningful totals across different tax types, each exemption has been assigned to one of eleven categories (with further breakdown for nonprofit organizations). This enables the grouping of exemptions, so that exemptions that are intended to achieve a particular purpose or benefit a specific type of taxpayer can be aggregated. It is recognized that certain exemptions could be categorized in different ways; thus this process is arbitrary at best.

The year that the exemption statute was first adopted is noted. However, the report does not attempt to track all subsequent amendments to the statute. The estimates of taxpayer savings are based on the statute as it existed in the summer of 2011 when the analysis was done.

Primary Beneficiaries
One of the items specifically requested in the authorizing statute for the study is an identification of the beneficiaries of the tax exemption. In most instances, the actual number of individuals or businesses that claim the exemption is unknown. However, when appropriate, the analyst has attempted to estimate the number of beneficiaries or at least describe the types of entities that utilize the exemption.

Possible Program Inconsistency
The authorizing statute also requires that any "conflicts with another state program" be identified. This has been interpreted as meaning programs where the state is devoting budgetary resources to achieve a specified goal or outcome, but the impact of the tax exemption undermines or hinders the accomplishment of those goals or outcomes. There are very few instances in which any such conflicts or inconsistencies have been identified.
APPENDIX II – ASSUMPTIONS AND METHODOLOGY

Tax Savings
The estimated impact of the exemptions, in terms of accrued tax liability, is presented for each year of the current (2011-13) biennium, as well as the ensuing two year period (2013-15 biennium) for state taxes and the aggregate total for local government taxes. Because the 2012 report considers only those exemption statutes which truly represent foregone governmental revenues, the taxpayer savings generally equates to a reduction in revenues but slight differences may exist due to compliance factors. Note, however, that the estimates do not consider effective dates of possible repeal legislation. Fiscal Year 2012 estimates reflect a full year of impact.

Each year of the estimate is indicated in the text of the report. Also, the totals for the current biennium are shown in the Summary Listing at the beginning of this report. For readers who wish to combine the amounts in other ways, a more detailed Excel spreadsheet which lists each of the exemption statutes and the estimated taxpayer savings for each year is also included as Appendix III.

Property taxes operate on a calendar year basis; for these the calendar year estimates are used as a proxy for fiscal years. These are simply added to fiscal year figures for the excise taxes which comprise the remainder of the report to arrive at category totals. The report includes the local tax component for those sources which both the state and local jurisdictions share (property, sales, timber, etc.). However, the report does not consider some purely local taxes, such as municipal business taxes, because the Department is not involved in administration of these sources and because there are no adequate data indicating the impact of these local tax exemptions.

The starting point for the analysis of exemption impacts are the work papers for previous exemption studies - the latest being the 2008 report. In some instances, there is no better or more current information available. For others, new data sources and estimation methodologies have been developed. Because of potential differing interpretations and more current data sources, the estimates presented in this report may differ significantly from the amounts shown previously.

The assumed tax rates used in calculating taxpayer savings are listed below.

Tax Rates

Property Tax:
Levy rates for the state levy ($3.60 per thousand of assessed value, adjusted to full market value in each county) and the aggregate local levy rates for all other taxing districts, both reflecting the 1.0 percent limitation on regular levy revenue growth, are projected for the following calendar years, according to the June, 2011 forecast:

<table>
<thead>
<tr>
<th>Year Due</th>
<th>State Rate</th>
<th>Local Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$2.17</td>
<td>$9.33</td>
</tr>
<tr>
<td>2013</td>
<td>$2.16</td>
<td>$9.57</td>
</tr>
<tr>
<td>2014</td>
<td>$2.05</td>
<td>$9.49</td>
</tr>
<tr>
<td>2015</td>
<td>$2.06</td>
<td>$9.71</td>
</tr>
</tbody>
</table>
Note, however, that very few property tax exemptions are included in this 2012 report, because repeal of these exemptions in most instances would merely result in a redistribution of the tax burden under the existing limitations on levy rates, rather than an actual increase in revenues for state and local taxing districts.

Leasehold Excise Tax:
Applied to the rental value of publicly-owned property which is leased to private entities:
• state rate of 6.84%
• local rate of 6.0%

Excise Taxes on Vehicles:
• Local motor vehicle excise tax: tax of 0.3% by the Regional Transit Authority (RTA, i.e., Sound Transit) to finance a high-capacity rapid transit system.
• Aircraft excise tax: $25 - $125
• Watercraft excise tax: 0.5% of fair market value

Timber Excise Tax:
State tax of 1.0% on timber harvested from private lands and 5.0% on public lands
Local tax of 4.0% on timber harvested from private lands
(Note: the state tax on public lands is being phased down from 5.0% to 1.0% with the balance being shifted to counties.

Business and Occupation Tax: (state tax only)
Major rate classifications:
Retailing 0.471%
Manufacturing 0.484%
Wholesaling 0.484%
Public/nonprofit hospitals 1.5%
Services and other 1.5% (1.8% from 5/1/2010 through 6/30/2013)

Public Utility Tax: (state tax only)
Major rate classifications:
Water distribution 5.029%
Electric power 3.873%
Gas, sewer 3.852%
Motor/rail transportation 1.926%
Urban transportation 0.642%
All other utilities 1.926%

Insurance Premiums Tax: 2.0% for domestic and foreign insurance companies.

Refuse Collection Tax: 3.6% of charges made by solid waste collection firms.

Litter Tax: 0.015% of the value of certain litter-related products.
Hazardous Substances Tax: 0.7% of the wholesale value of defined hazardous items. Note: Although the majority of the revenue goes to the local toxics account; the entire tax is considered as a state tax.

Petroleum Products Tax: 0.5% of the wholesale value of petroleum-based products. The tax was re-imposed for nine months during Fiscal Year 2010 but is again in hiatus. It is not expected to be re-imposed during the forecast period for this study.

Oil Spill Tax: $0.04 per 42 gallon barrel of crude oil imported into Washington via ship or barge and off-loaded at a location within the state. (The one cent rate is in hiatus.)

Enhanced Food Fish/Shellfish Tax: Major tax rates: 5.62% for most salmon species; 3.37% for pink/sockeye salmon; 2.25% for most other fish and shellfish, except sea cucumbers and urchins.

Soft Drinks Syrup Tax: $1.00 per gallon of syrup used to produce carbonated beverages.

Retail Sales/Use Tax: State rate: 6.5% Local rates: statewide average of 2.5%

Brokered Natural Gas Use Tax: 3.852% on gas not purchased from a public utility and delivered to the consumer via pipeline for use in Washington

Tobacco Taxes: Cigarette tax: $3.025 per pack of 20 cigarettes Other Tobacco Products: 95.0% of selling price

Fuel Taxes: Motor Vehicle Fuel Tax: 37.5 cents per gallon Special Fuel Tax: 37.5 cents per gallon or 100 cubic feet Aircraft Fuel Tax: 11 cents per gallon

Liquor Sales Taxes: Liquor Sales Tax: 20.5% of wholesale price Liquor Liter Tax: $3.77 per liter Beer Excise Tax: $8.08 per barrel

Real Estate Excise Tax: State rate: 1.28% of selling price Local rates: average local rate of 0.46%

Estate Tax: graduated rates from 10% to 19% on taxable estates above $2 million.
Detailed List of Exemptions - Excel