STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR
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June 30, 2021

TO: Brad Hendrickson, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: Michael B. Bailey, Legislative and External Affairs Liaison
Washington State Department of Revenue

SUBJECT: 2020 Tax Exemption Study

The 2020 Tax Exemption Study was originally submitted to you on January 10, 2020, pursuant to RCW 43.06.400. The attached is an update to correct a wording error within the Business and Occupation Tax Chapter, specifically for the description of the architectural paint assessment fee exemption found in RCW 82.04.765. This change has no impact on the analysis, revenue impacts, charts or summary of findings provided in the study. We have updated the study on our agency website and we are providing this pdf version to you for updating on the legislative website.

Study covers 748 tax exemptions

There are currently 748 tax exemptions for major Washington state and local tax sources. The estimated savings in state and local taxes for taxpayers resulting from these exemptions total $138.8 billion for the 2019-21 Biennium. For each exemption, the following is provided:

- A brief description,
- The purpose of the exemption,
- Taxpayer savings,
- Potential revenue gains from a full repeal of the exemption, and
- Additional information such as the year of enactment and the primary beneficiaries.

Study provided electronically

In an effort to reduce the cost of producing this study, we are providing it to you electronically. The report is also available on our website at: https://dor.wa.gov/about/statistics-reports/tax-exemptions-2020.

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

Attachment

2020 Tax Exemption Study

A Study of Tax Exemptions, Exclusions or Deductions From the Base of a Tax; a Credit Against a Tax; a Deferral of a Tax; or a Preferential Tax Rate

As Authorized by RCW 43.06.400

Vikki Smith, Director

Washington State Department of Revenue

Department of Revenue
Washington State

2020 Tax Exemption Study

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Chapter One - Introduction and Summary of Findings

INTRODUCTION

The Tax Exemption Study lists exemptions for the major state and local taxes in Washington and is authorized by the Revised Code of Washington (RCW) 43.06.400 [Appendix A].

Tax exemptions:

The term *tax exemption* includes a variety of preferences that reduce tax liability for taxpayers. Tax exemptions include:

- Exclusions;
- Deductions;
- Credits;
- Deferrals;
- Preferential tax rates; and,
- Exemptions.

Department of Revenue (Department) staff estimated the impact of each exemption. Sales and use tax exemptions for the same product or activity are included as a single estimate. In other cases, there are multiple estimates for a single statute to better illustrate the impacts.

The summary of each exemption includes:

- A brief description;
- The purpose of the exemption;
- Taxpayer savings;
- Potential revenue gains from a full repeal of the exemption; and,
- Additional information.

Taxpayer savings versus potential revenue gain:

Number of Incentives	STATE Taxpayer Savings (FY 2021)	STATE Revenues Realized from Repeal (FY 2021)
748	35,073,807,000	21,729,547,000

Savings to taxpayers do not indicate the potential revenue that governmental jurisdictions would accrue if the exemption did not exist. For example, some exemptions will not increase state revenues by the same amount as the taxpayer savings due to:

- Constitutional prohibitions against taxing certain activities;
- Possible changes in taxpayer reporting behavior; or,
- Actual cash receipts lower because of compliance factors.

In all cases, estimates assume a full repeal is effective July 1, 2020, resulting in no revenue gain in Fiscal Year 2020 and typically 11 months of revenue gain for Fiscal Year 2021.

The Tax Exemption Study *does not* include:

- Locally administered taxes such as the municipal business taxes;
- Discussion regarding tax policy related to the exemption; or,
- Recommendations to keep or terminate existing exemptions.

Forecast:

All estimates use the March 2019 Economic and Revenue Forecast Council forecast unless otherwise noted.

Revised Code of Washington (RCW) Citation:

The full RCW citation is included if it was available at the time that the exemption was analyzed.

SUMMARY OF FINDINGS

The current study analyzes 748 tax exemptions. The state and local impacts of these tax exemptions combine for an estimated taxpayer savings of $138.9 billion for the 2019-21 Biennium. Approximately 49 percent of the total, or $68.3 billion, are exemptions from state taxes. Exemptions from local government taxes amount to $70.6 billion.

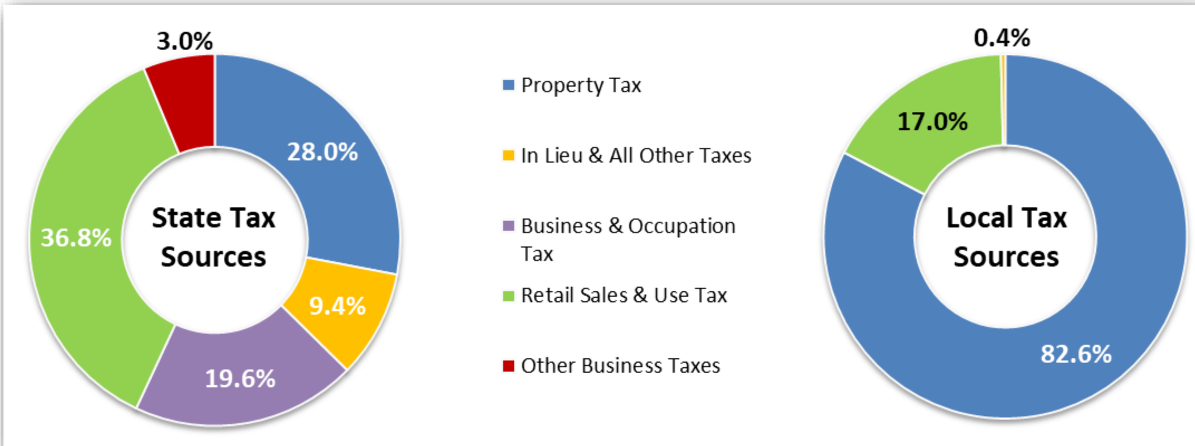
Table 1 summarizes the number of exemptions and the distribution of state and local impacts for the various types of taxes considered in this study.

Table 1
Summary of Tax Exemption Impacts by Tax Source
Estimated Taxpayer Savings
2019-21 Biennium ($ millions)

Tax Source	Number of Exemptions	State Tax Savings	Local Tax Savings	Total Savings for Biennium
Property Tax	118	$19,104.884	$58,294.621	$77,399.505
In Lieu Excise Taxes	49	79.172	70.968	$150.140
Business & Occupation Tax	195	13,374.365	0.000	$13,374.365
Retail Sales & Use Tax	220	25,152.480	11,980.254	$37,132.734
Other Business Taxes	94	4,277.526	0.000	$4,277.526
All Other Taxes	72	6,308.024	204.323	$6,512.347
Total	**748**	**$68,296.451**	**$70,550.166**	**$138,846.617**

Chart 1 shows tax savings by tax source as a percent of the total. Nearly 37 percent of the state impact is from retail sales and use tax exemptions, while more than 82 percent of local tax impact is from property tax exemptions.

Chart 1
Taxpayer Savings by Tax Source



Taxpayer savings versus potential revenue gains from a full repeal:
Savings to taxpayers do not indicate the potential revenue that governmental jurisdictions would accrue if the exemption did not exist. For this reason, each exemption provides the estimated taxpayer savings plus the potential revenue gain from a full repeal of the exemption.

- For many excise taxes there is a one-to-one relationship between the amount that taxpayers save and the amount that government gives up in potential revenues.
- Other exemptions may cause possible changes in taxpayer reporting behavior, which could restrict the potential revenues realized.
- Several exemptions exist because of constitutional reasons, and are not a reliable source of potential new governmental revenue.
- Depending on the year a property tax exemption is repealed, it may increase state revenues or shift property taxes back to currently exempt taxpayers.

Table 2a shows the taxpayer savings for the 2019-21 Biennium, and the amount of potential revenue gains with a full repeal of the exemptions as of July 1, 2020. The potential gains reflect no collections in Fiscal Year 2020 and eleven months of collections in Fiscal Year 2021, the second year of the biennium.

Table 2a
Taxpayer Savings versus Potential Revenue Gains by Tax Source
2019-21 Biennium ($ millions)

Tax Source	State Tax Savings	State Potential Revenue Gains	Difference	Local Tax Savings	Local Potential Revenue Gains	Difference
Property Tax	19,104.884	5,411.495	13,693.389	58,294.621	1,484.522	56,810.099
In Lieu Excise Taxes	79.172	34.215	44.957	70.968	20.606	50.362
Business & Occupation Tax	13,374.365	4,606.452	8,767.913	0.000	0.000	0.000
Retail Sales & Use Tax	25,152.480	9,267.407	15,885.073	11,980.254	4,678.880	7,301.374
Other Business Taxes	4,277.526	1,925.142	2,352.384	0.000	0.000	0.000
All Other Taxes	6,308.024	484.836	5,823.188	204.323	94.660	109.663
Total	**68,296.451**	**21,729.547**	**46,566.904**	**70,550.166**	**6,278.668**	**64,271.498**

Table 2b shows the taxpayer savings and potential revenue gains from a full repeal of the exemptions for the 2021-23 Biennium in order to include a full 24-month impact for both the savings and gains.

Table 2b
Taxpayer Savings versus Potential Revenue Gains by Tax Source
2021-23 Biennium ($ millions)

Tax Source	State Tax Savings	State Potential Revenue Gains	Difference	Local Tax Savings	Local Potential Revenue Gains	Difference
Property Tax	20,815.450	20,645.712	169.738	63,093.244	5,840.322	57,252.922
In Lieu Excise Taxes	84.666	84.461	0.205	76.399	50.559	25.840
Business & Occupation Tax	14,500.813	10,511.281	3,989.532	0.000	0.000	0.000
Retail Sales & Use Tax	27,401.886	22,703.759	4,698.127	13,160.875	11,363.598	1,797.277
Other Business Taxes	4,267.719	4,149.700	118.019	0.000	0.000	0.000
All Other Taxes	6,713.502	3,040.337	3,673.165	211.562	211.562	0.000
Total	**73,784.036**	**61,135.250**	**12,648.786**	**76,542.080**	**17,466.041**	**59,076.039**

Taxpayer savings versus forecasted revenue collections:
Table 3 and Chart 2 compare the estimated taxpayer savings from exemptions for selected state taxes with the Economic and Revenue Forecast Council forecasted revenues for those same tax sources.

The total taxpayer savings for these state taxes is nearly $59 billion for the 2019-21 Biennium, which is nearly $14 billion more than the forecasted revenues of $45 billion.

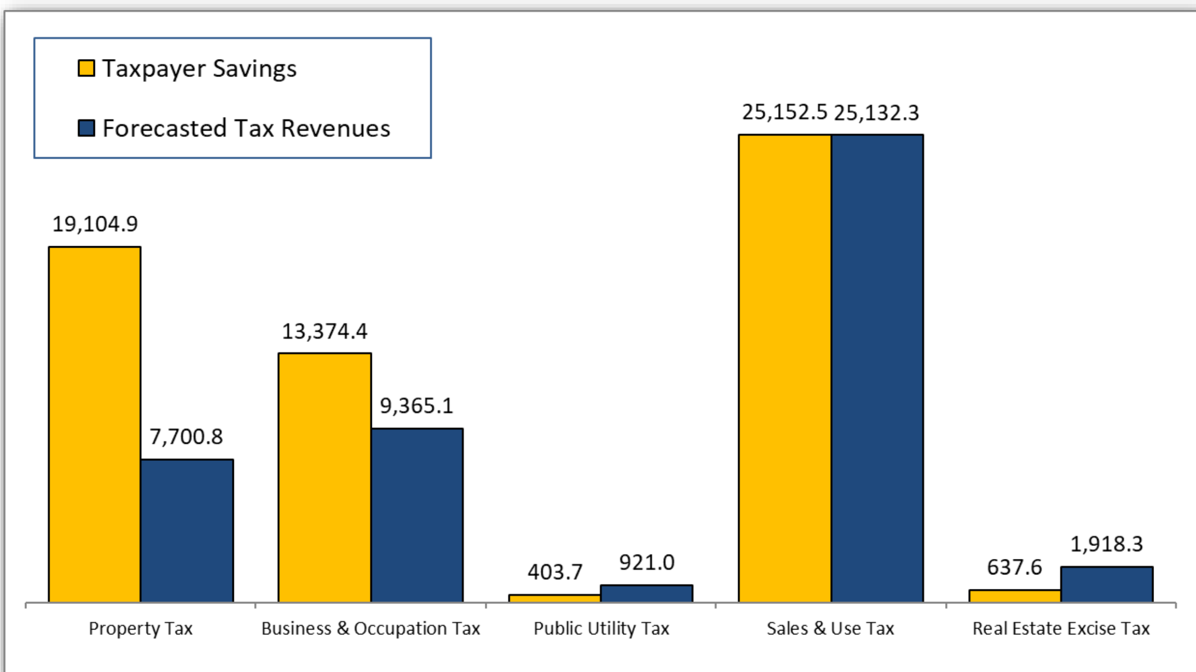
Table 3
Comparison between Taxpayer Savings and Revenues
Selected Major State Tax Sources
2019-21 Biennium ($ millions)

State Tax Source	Taxpayer Savings from Exemptions	Forecasted Tax Revenues[1]	Exemptions as a Percent of Revenue
State Property Tax Levy	19,104.884	7,700.819	248.1%
State Business & Occupation Tax	13,374.365	9,365.125	142.8%
Public Utility Tax	403.652	921.049	43.8%
Retail Sales & Use Tax	25,152.480	25,132.343	100.1%
Real Estate Excise Tax	637.604	1,918.311	33.2%
Total	**58,672.985**	**45,037.647**	**130.3%**

[1]Economic and Revenue Forecast Council (March 2019 Forecast)

Taxpayer savings for state property tax and the business and occupation tax exemptions are significantly higher than the forecasted revenues for these tax sources in the 2019-21 Biennium.

Chart 2
Comparison between Taxpayer Savings and Revenues
Selected Major State Tax Sources
2019-21 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, eight categories were developed. Each exemption is assigned to the category that most closely represents its general purpose or type of beneficiary (recognizing that many exemptions serve multiple purposes).

A brief description of the exemption categories appears below:

Category	Number of Exemptions	Brief Description of Category
Agriculture	60	There are a variety of property, B&O and sales tax, and other exemptions for agricultural businesses.
Business	263	These exemptions generally benefit business entities.
Government	88	Governmental jurisdictions include the federal government, the state of Washington, local governments and foreign countries.
Individuals	70	These exemptions generally benefit people, as opposed to businesses or other entities.
Interstate Commerce	21	The United States Constitution prohibits direct taxation of interstate commerce. The Legislature has enacted exemptions to assure that Washington does not violate this requirement.
Nonprofit	91	There are a variety of property, B&O and sales tax exemptions allowed for nonprofit organizations.
Tax Base	77	This category includes activities the Legislature purposefully excluded in the original tax base. For example, there is an exemption to assure employees are not subject to B&O tax, even though it was never the intent for tax to apply to salaries and wages.
Other	78	Some exemptions do not fit easily into one category. These are included in the "Other" category. As an example, the exemption for intangibles benefits the agricultural industry, businesses, and individuals.

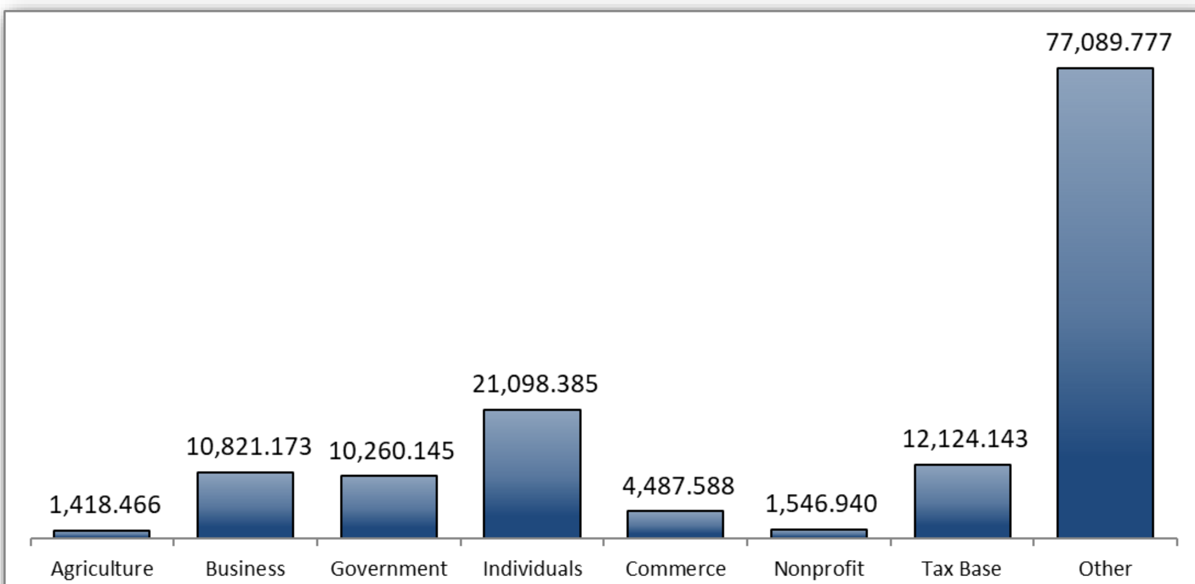
Table 4 summarizes the results of the categorical analysis. The other category represents over 55 percent of the total taxpayer savings, the majority of which are local tax savings. Of the $77.1 million taxpayer savings in the other category, $75.0 million comes from the following two exemptions:

- Property tax exemption on intangibles ($62.0 million); and,
- Sales and use tax exemption on personal and professional services ($13.0 million).

Table 4
Tax Exemptions by Category
2019-21 Biennium ($ millions)

Category	Number of Exemptions	State Tax Savings	Local Tax Savings	Total Tax Savings	Percent of Total
Agriculture	60	880.268	538.198	1,418.466	1.0%
Business	263	7,936.939	2,884.234	10,821.173	7.8%
Government	88	3,632.198	6,627.947	10,260.145	7.4%
Individuals	70	14,930.826	6,167.559	21,098.385	15.2%
Interstate Commerce	21	4,013.700	473.888	4,487.588	3.2%
Nonprofit	91	1,000.349	546.591	1,546.940	1.1%
Tax Base	78	10,788.913	1,335.230	12,124.143	8.7%
Other	77	25,113.258	51,976.519	77,089.777	55.5%
Total	**748**	**68,296.451**	**70,550.166**	**138,846.617**	**100.0%**

Chart 3
Tax Exemptions by Category
2019-21 Biennium ($ millions)



Exemption History

Tax exemptions enacted by year:

Until 1935, no more than a half dozen new exemptions appeared in any single year. With the adoption of the Revenue Act of 1935 came many new exemptions; 43 of which are still in statute today. These were associated with:

- Retail sales and use taxes;
- B&O tax; and,
- Various other new state excise taxes.

Table 5 shows the number of current tax exemption statutes over time, starting in Washington's territorial days.

Table 5
Current Tax Exemptions by Year of Enactment

Year Adopted	Number	Year Adopted	Number	Year Adopted	Number	Year Adopted	Number
1854	4	1949	14	1981	10	2002	6
1871	1	1951	13	1982	4	2003	29
1886	1	1953	2	1983	12	2004	18
1889	5	1955	7	1984	6	2005	24
1890	3	1957	1	1985	10	2006	14
1891	2	1959	3	1986	9	2007	19
1911	1	1961	5	1987	14	2008	13
1915	3	1963	4	1988	3	2009	33
1923	3	1965	9	1989	28	2010	7
1925	2	1967	19	1991	9	2011	9
1929	1	1970	12	1992	4	2012	7
1931	4	1971	17	1993	11	2013	11
1933	4	1972	1	1994	4	2014	6
1935	43	1973	5	1995	16	2015	20
1937	3	1974	5	1996	10	2016	5
1940	2	1975	10	1997	18	2017	12
1941	1	1976	11	1998	21	2018	2
1943	3	1977	4	1999	7	2019	25
1945	5	1979	12	2000	7		
1947	4	1980	13	2001	23	TOTAL	748

Exemption History

The following two charts show tax exemptions in current statutes:

- Enacted by year; and,
- The cumulative number by decade.

Chart 4
Current Tax Exemptions by Year of Enactment

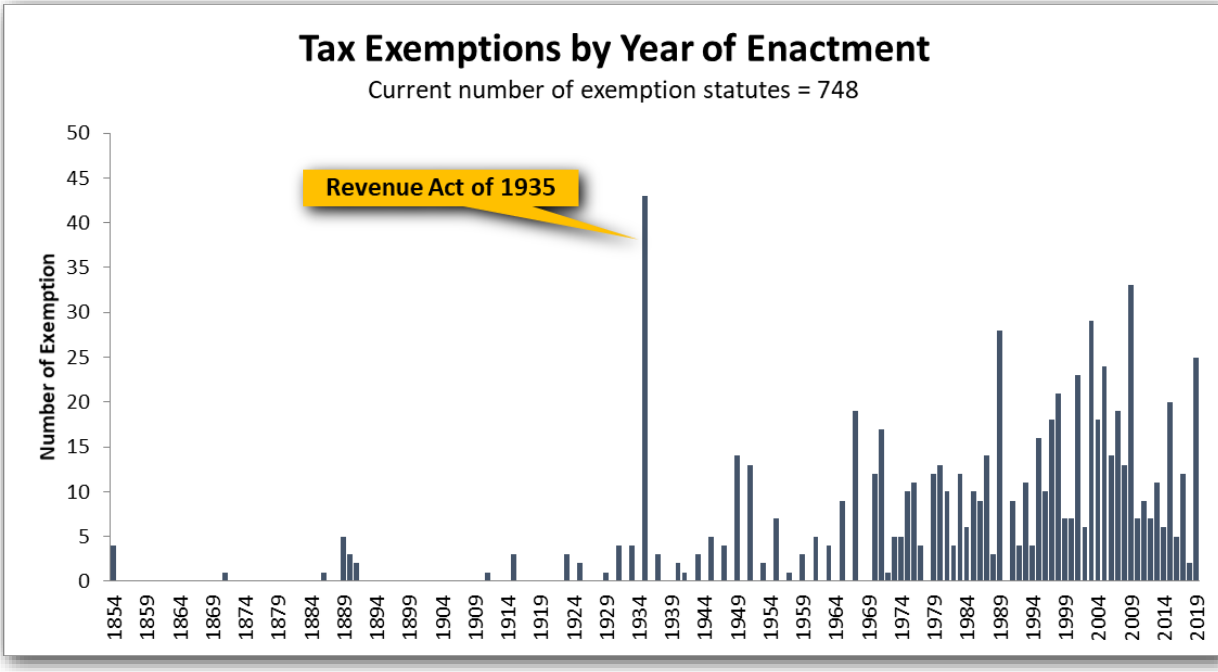
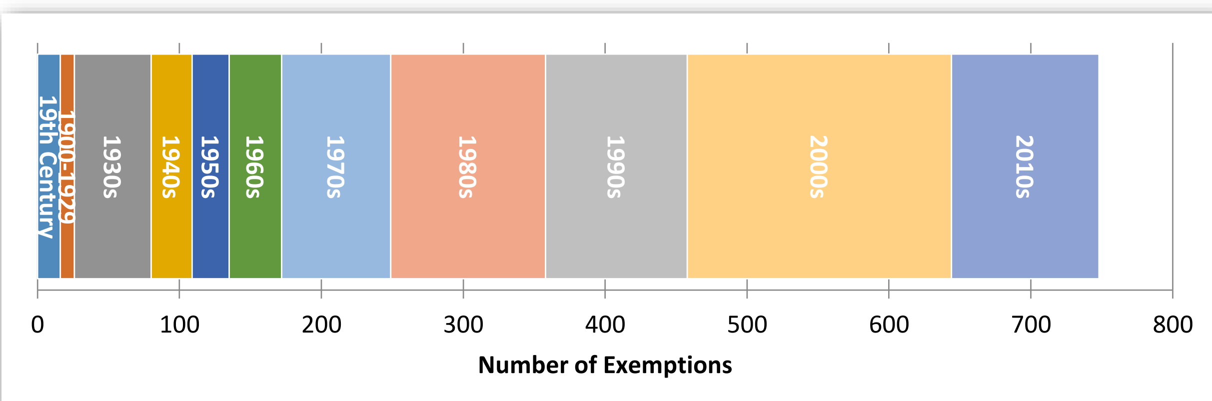


Chart 5
Cumulative Number of Tax Exemption Enacted by Decade



Chapter 2
Business and Occupation Tax

48.32.130 - Insurance guarantee association

Description

The Washington Insurance Guarantee Association (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.

The 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.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.060	$0.060	$0.060	$0.060
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue if the receipt of these assessments were to be considered as engaging in business by the Association.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.060	$0.060	$0.060
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Association revenue will be at least $4.0 million a year.

Data Sources

Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	The Association and insurance policy holders
Taxpayer Count:	800
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.040(1)(b) - Tow truck operator vehicle sales

Description

The following are exempt from the definition of a retail sale:

- The sale of an abandoned vehicle sold by a registered tow truck operator to a successful bidder at public auction; and,
- The sale of an abandoned vehicle sold by a registered tow truck operator to a licensed vehicle wrecker, hulk hauler, or scrap processor, as provided in RCW 46.55.130, if there is no successful bidder as described above.

This exemption expires January 1, 2030.

Purpose

To make administration of the sales and use tax easier for tow truck operators.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The revenue impact as a result of repealing this exemption may result in a minimal increase in total sales and use tax collections.
- Vehicle use tax will only be paid if the consumer registered the vehicle in Washington. If the vehicle is parted out, no use tax would be collected.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Tow truck operators
Taxpayer Count:	826
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.062 - Precious metals and 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 commissions they receive for buying and selling precious metals on behalf of their customers. The sales tax portion of the exemption is discussed under the sales tax portion of this report.

Purpose

To provide relief to dealers that are in competition with precious metals dealers in other states who are often not subject to tax and to recognize the frequency of such purchases which are made via mail order or over the internet which are not subject to tax in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.292	$0.302	$0.314	$0.325
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.277	$0.314	$0.325
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base that serves as the foundation of this estimate based on retail sales deductions reported on the excise tax return for the sales of precious metals and bullion.
- Taxpayers using this exemption are properly reporting the retail sales deduction on their excise tax returns and not just excluding from gross income.
- Growth rates used in this estimate are the same as for all retail sales. Price of precious metals is extremely volatile and no source reliably predicts the price six years into the future.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

82.04.062 - Precious metals and bullion

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchases of precious metals and bullion
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.110(2)(b) - Aluminum master alloy producers

Description

Producers of aluminum master alloys are processors for hire rather than manufacturers regardless of the portion of aluminum provided by their customers. As a result, producers pay tax on the amount they charge their customers for processing. Manufacturers pay tax on the total value of the finished product.

Purpose

Provides tax relief to producers of aluminum master alloys as they are subject to B&O tax on the amount charged to their customers and not the total value of the finished product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are fewer than three taxpayers using this tax preference and the revenue impacts cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Producers of aluminum master alloy
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.120(2)(a) - Hay cubing

Description

"To manufacture" excludes cubing hay or alfalfa (compacting hay into small cubes for shipping, mainly to foreign markets) for B&O tax purposes. As a result, farmers who compact their own hay or alfalfa into cubes for sale at wholesale, are not subject to B&O tax.

Persons who cube hay or alfalfa for others are subject to the service or wholesaling B&O tax depending on where the activity takes place. Activity taking place on the grower's land is a service, while activity performed elsewhere is a wholesale transaction.

Purpose

Improves competitive position of Washington firms that cube hay for export.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.381	$0.381	$0.381	$0.381
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.349	$0.381	$0.381
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Hay prices tend to fluctuate year to year, so no overall growth.
- Eleven months collections in Fiscal Year 2021 with a July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Persons who cube hay or alfalfa
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.120(2)(a) - Seed conditioning

Description

"To manufacture" excludes seed conditioning for B&O tax purposes. In addition, wholesale sales to farmers of seed conditioned for use in planting, or conditioning seed owned by others for their planting is exempt from the wholesale B&O tax per RCW 82.04.331. See separate estimate.

Purpose

Encourages seed conditioning businesses to relocate in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.976	$2.060	$2.147	$2.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.888	$2.147	$2.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayer manufactures seeds in Washington before selling as a wholesale product.
- Manufacturing of seeds means seeds that will be used for planting.
- Seed conditioners only owe wholesaling B&O on instate sales so the out of state deduction is one part of the manufacturing exclusion.
- Ninety-five percent of conditioned seeds are from in-state sellers.
- Five percent growth rate reflects the growth of seeds used for planting.

Data Sources

- Washington State Department of Agriculture
- U. S. Department of Agriculture
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Seed conditioners who manufacture seeds for planting
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.120(2)(b) - Seafood processing

Description

"To manufacture" excludes cutting, grading or ice glazing of seafood that has been cooked, frozen or canned outside of Washington for B&O tax purposes. As a result, persons who perform these activities will not be considered to be manufacturing an activity that is subject to manufacturing B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues would be realized if RCW 82.04.120(2)(b) is repealed, because affected taxpayers would still be exempt from the B&O tax under RCW 82.04.4269.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Seafood processors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.120(2)(d) - Packing agricultural products

Description

Manufacturing B&O excludes the process of packing agricultural products. This includes: sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling or placing in a controlled atmospheric storage.

Purpose

Clarifies that packing of agricultural products is not a manufacturing activity, and is not eligible for manufacturing tax incentive programs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is bundled under the B&O tax deduction for Processing Horticultural Products (RCW 82.04.4287).

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Packing manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.120(2)(e,f) - Computer software and digital goods

Description

Manufacturing B&O tax applies to the production of computer software when the producer transfers the software by means of tangible storage media, but not to software transferred electronically, or to digital goods. Instead, retailing or wholesaling B&O tax applies to electronically delivered goods, depending upon the nature of the transaction.

Purpose

To reduce confusion and complications concerning the B&O tax liability incurred by the production and sale of software and digital goods.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. There are no taxpayer savings associated with this definitional clarification.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This definitional clarification results in no taxpayer savings.

Data Sources

Department of Revenue, Interpretations and Technical Advice Division

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	Software, 2003; digital goods, 2009
Primary Beneficiaries:	Sellers of electronically delivered goods and software
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.240(2) - Semiconductor materials manufacturing after $1 billion investment

Description

Businesses manufacturing semiconductor materials are subject to the B&O tax at a rate of 0.275 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate is contingent upon the commercial operation of a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion dollars.

To qualify, a manufacturer must begin operations before January 1, 2024. If this does not occur, the reduced rate expires on this date.

Purpose

To encourage retention of existing semiconductor firms in Washington, while attracting similar businesses to this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers are currently utilizing this incentive.
- Facility investment will not occur during the forecast period of this study.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.2403 - Fish cleaning

Description

Cleaning fresh fish is exempt from B&O tax. Cleaning means removing the head, fins, or viscera from the fish without further processing, other than freezing.

Purpose

To support the fishing industry by reducing the cost of doing business.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.007	$0.007	$0.007	$0.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.007	$0.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Cleaning saltwater fish is not included in this calculation as manufacturing seafood is exempt from B&O tax under 82.04.4269.
- Actual taxpayer savings and potential revenue gains may be lower due to multiple activities tax credit and small business credit.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington Department of Fish and Wildlife, commercial fish harvest data 2014 to 2018

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Businesses that harvest and clean fresh fish
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.2404 - Semiconductor materials manufacturing - Preferential rate

Description

Washington provides a preferential B&O manufacturing rate of 0.275 percent on the manufacture or process for hire of semiconductor materials. The exemption is set to expire December 1, 2028. Any person claiming the preferential tax rate must reimburse the Department of Revenue (DOR) for 50 percent of the amount of the preference if:

- The number of persons employed by a person claiming the tax preference is less than 90 percent of the three-year average; or
- A review of a Clark County project has not generated at least 2500 jobs paying at least $25 per hour; 80 percent of these jobs must pay at least $35 per hour.

Manufacturers with no tax preference pay tax at a rate of 0.484 percent.

Purpose

To encourage the retention of existing semiconductor firms and attract similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers take advantage of this preference; revenue impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

82.04.2404 - Semiconductor materials manufacturing - Preferential rate

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that manufacture or process for hire semiconductor materials
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.250(3) - Certified aircraft repair firms

Description

Until July 1, 2040, qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR part 145" repair facility receive a reduced B&O tax rate of 0.2904 percent on retail sales and repairs made to airplanes exempt from tax under RCW 82.08.0261, 82.08.0262, or 82.08.0263. Businesses reporting under this tax rate must file a complete annual report with the Department of Revenue. If the incentive is repealed the activities would be subject to the 0.484 percent.

Purpose

To encourage the airplane repair industry presence in the State of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.720	$0.768	$0.793	$0.797
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.704	$0.793	$0.797
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	FAR Part 145 repair stations
Taxpayer Count:	41
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.255 - Shared real estate commissions

Description

Real estate brokerage offices pay tax only on their share of commissions when two or more brokerage offices participate in a transaction, even if one firm is located out of state. Individual associate brokers and salespersons are not subject to B&O tax where the brokerage office pays tax on the gross commission.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$52.279	$53.046	$53.719	$55.036
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$48.626	$53.719	$55.036
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 92 percent of real estate transactions are brokered by two or more real estate agents.
- Revenues grow at the same rate as the real estate excise tax growth rates in Economic and Revenue Forecast Council March 2019 forecast.
- 11 months of cash collections impact for Fiscal Year 2021 with a July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- realtrends.com
- National Association of Realtors
- Economic and Revenue Forecast Council March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Real estate brokers and agents
Taxpayer Count:	2,700
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.260(1)(a) - Flour and oil manufacturing

Description	Manufacturers of flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts, and sunflower oil receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing in 0.484 percent.
Purpose	Provides tax relief to agricultural processing firms that are unable to pass the total cost to final consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference and the revenue impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1949
Primary Beneficiaries:	Flour & oil manufacturers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.260(1)(b) - Seafood products manufacturing

Description

A preferential B&O tax rate of 0.138 percent is provided to:

- Manufactures of seafood products that remain in a raw, raw frozen or raw salted state at the completion of the manufacturing process; and,
- Sellers of manufactured seafood products that remain in a raw, raw frozen or raw salted state at the completion of the manufacturing to purchasers who transport the seafood products out of this state.

The general tax rate for manufacturing is 0.484 percent.

Purpose

To provide tax relief to firms, create and retain quality jobs, and consistent tax treatment with other fresh food processors.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues would be realized if RCW 82.04.260(1)(b) is repealed, because affected taxpayers would still be exempt from the B&O tax under RCW 82.04.4269.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Seafood manufacturers
Taxpayer Count:	Not applicable
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.260(1)(c) - Dairy products manufacturing

Description

Manufacturers and wholesalers of dairy products and by-products receive a preferential B&O tax rate of 0.138 percent, beginning July 1, 2025. The general tax rate for manufacturing is 0.484 percent.

Purpose

To provide tax relief for firms that cannot pass the total cost to final consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues from July 1, 2025, when 82.04.4268 expires.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 82.04.260(1)(c), the default manufacturing and wholesale rate of 0.484% applies through June 30, 2025.
- Manufacturing or wholesaling of dairy product activities to purchasers who either transport out of state or who use dairy products as ingredients or component in the manufacturing of a dairy product are currently exempt from the B&O tax under RCW 82.04.4268. This exemption expires July 1, 2025.
- The preferential rate of 0.138% will not begin until July 1, 2025.
- An effective date of repealing the incentive of July 1, 2020, will not have any effect because there are no current taxpayer savings.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Dairy manufacturers & wholesalers
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.260(1)(d) - Fruit and vegetable manufacturing

Description

Beginning July 1, 2025, manufacturers and wholesalers (selling for interstate transport) of fruit or vegetable products that are canned, preserved, dehydrated or frozen receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

To impose impartial treatment of fruit and vegetable processors with other fresh food processors.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues from July 1, 2025, when 82.04.4266 expires.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 82.04.260(1)(d), a default manufacturing and wholesale rate of .484 percent applies and preferential rate of 0.138 percent will not begin until July 1, 2025.
- July 1, 2020, effective date of repealing the incentive will not have any effect because there is currently no taxpayer savings.
- RCW 82.04.4266 is in place until July 1, 2025; there is no B&O tax on manufacturing or wholesaling (selling for interstate transport) until July 1, 2025.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Processors of fruits and vegetables
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.260(1)(e) - Wood biomass fuel manufacturing

Description

Manufacturers of wood biomass fuel receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

"Wood biomass fuel" means a liquid or gaseous fuel that is produced from lignocellulose feedstock, including wood, forest, or field residue, and dedicated energy crops. The term does not include wood treated with chemical preservations such as creosote, pentachlorophenol, or copper-chrome-arsenic.

Purpose

Encourage the production of alternative fuels in the state of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently utilizing this tax preference.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Wood biomass manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.04.260(2) – Dried pea processors

Description

Businesses that split or process dried peas receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

To provide tax relief to firms unable to pass the total cost to consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.279	$0.290	$0.303	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.266	$0.303	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Repealing the preference has a minimal impact on each taxpayer's Multiple Activities Tax Credit and Small Business Credit.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Dried pea processors
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.260(3) – Nonprofit research and development

Description

Nonprofit corporations and nonprofit associations doing research and development within the state receive a preferential B&O tax rate of 0.484 percent. The general tax rate for services is 1.5 percent.

Purpose

Support the advancement of nonprofit research and development activities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no firms currently benefiting from this lower B&O tax rate.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1965
Primary Beneficiaries:	Nonprofit corporation & associations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.260(4) – Meat processors

Description

Persons in the business of wholesaling, slaughtering, breaking and/or processing perishable meat products receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

Provide tax relief to firms not able to pass the total cost to consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.695	$23.528	$24.519	$25.535
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$21.600	$24.519	$25.535
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Meat processors represent the following NAICS codes: 311611, 311612, 311613, 311615, 424410, 424420, 424430, 424440, 424460, 424470, 445210, 445220, and 445110.
- Growth rate mirrors the total B&O taxable activity forecast reflected in Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue Taxpayer excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Meat processors
Taxpayer Count:	233
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.260(5) – Travel agents and tour operators

Description

Travel agents and tour operators receive preferential B&O tax rates depending on the annual taxable amount reported for the prior calendar year:

- 0.275 percent if the annual taxable amount from providing travel agent and tour operator services in the prior calendar year was $250,000 or less; or,
- 0.9 percent if the annual taxable amount from providing travel agent and tour operator services in the prior calendar year was greater than $250,000.

Purpose

Provides a tax preference to travel agents and tour operators that is tied to annual taxable amounts.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.600	$2.700	$2.800	$2.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preference would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.500	$2.800	$2.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror B&O growth rate in the Economic & Revenue Forecast Council's March 2019 forecast.
- Passage of ESSB 6004 will create a new tax rate of 0.9% for travel and tour operators with over $250,000 in taxable income in the previous calendar year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2019.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Travel agents and tour operators
Taxpayer Count:	552
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(6) – International charter and freight brokers

Description

International steamship agents, international customs house brokers, international freight forwarders, vessel or cargo charter brokers in foreign commerce, and international air cargo agents receive a preferential B&O tax rate of 0.275 percent on income received. Persons conducting charter and freight brokering activities domestically do not qualify for the preferential rate and instead pay the 1.5 percent tax rate for services.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.024	$8.462	$8.908	$9.384
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.757	$8.908	$9.384
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue and Forecast Council's March 2019 forecast data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	International charter and freight brokers
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(7) - Stevedoring

Description

Income received from stevedoring and similar cargo handling activities receive a preferential B&O tax rate of 0.275 percent, rather than the 1.5 percent tax rate for services. Stevedores load and unload cargo from ships.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$11.568	$12.199	$12.842	$13.529
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$11.182	$12.842	$13.529
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Stevedoring businesses
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(9) – Insurance producers, title insurance agents, and surplus line brokers

Description

Insurance producers, title insurance agents, and surplus line brokers receive a preferential B&O tax rate of 0.484 percent on income received, rather than the 1.5 percent tax rate for services.

Purpose

Reduces the impact of B&O surtaxes on insurance contractors because they were unable to raise commissions to cover tax increases in the short term.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$21.033	$22.180	$23.349	$24.598
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$20.332	$23.349	$24.598
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Insurance producers, title insurance agents, and surplus line brokers
Taxpayer Count:	3,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(11) – Commercial airplane manufacturing

Description

Manufacturers of commercial airplanes or components of commercial airplanes, as well as tooling used in the production of commercial aircraft receive a preferential B&O tax rate of 0.2904 percent. The general tax rate for manufacturing is 0.484 percent. This preferential rate expires July 1, 2040.

A person reporting under the tax rate must file a complete annual tax performance report with the department.

Purpose

Encourage the assembly of commercial airplanes in the state of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$128.600	$137.200	$141.600	$142.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$125.800	$141.600	$142.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Commercial airplane manufacturing companies
Taxpayer Count:	409
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.04.260(12) – Timber and wood products extracting or manufacturing

Description

Persons extracting or manufacturing timber and selling timber and wood products at wholesale receive a preferential B&O tax rate of 0.2904 percent (.3424 after including .052 surcharge to finance riparian habitat). Previously these activities were subject to a B&O tax rate of 0.484 percent.

Persons selling standing timber, if severed within 30 months of the sale agreement, receive a Real Estate Excise Tax (REET) exemption under this preference and pays B&O tax at 0.2904 percent (.3424 percent effective rate after including .052 percent surcharge to finance riparian habitat). Without the preference, these activities are subject to REET at an average of 1.67% (1.28% state and 0.39% local portion) instead of B&O tax.

This preferential tax rate expires July 1, 2024. The surcharge of 0.052 percent (82.04.261) also expires on July 1, 2024.

Purpose

Encourage firms in the timber industry to continue to conduct business in the State of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$17.300	$17.900	$18.800	$19.500
Local Taxes	$0.300	$0.300	$0.400	$0.400

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$16.390	$18.800	$19.500
Local Taxes	$0.000	$0.300	$0.400	$0.400

Assumptions

- Growth rate mirrors the B&O growth rate reflected in Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

82.04.260(12) – Timber and wood products extracting or manufacturing

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Timber industry
Taxpayer Count:	1,675
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.260(13) – Canned salmon services

Description

Businesses that inspect, test, label, or store canned salmon owned by another business receives a preferential B&O tax rate of 0.484 percent. These activities were previously subject to the service and other activities rate of 1.5 percent.

Purpose

To provide tax relief for firms that provide services for salmon canners.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.159	$0.174	$0.183	$0.193
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.159	$0.183	$0.193
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rates based on March 2019 forecast.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Firms that provide services for salmon canners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.260(14)(a) – Printing and publishing newspapers

Description

Businesses in the newspaper industry receive a preferential B&O tax rate for engaging in the business of printing a newspaper, publishing a newspaper, or both. This B&O tax rate is 0.35 percent until July 1, 2024, at which time the rate increases to 0.484 percent.

The definition of "newspaper" for B&O tax purposes includes electronic versions of a printed newspaper. Advertising and subscription revenues generated from the online version of a printed newspaper are also taxed at the preferential rate.

Proposal:

The preference expires on July 1, 2024. The B&O tax rates would be:
- 0.484 percent for print advertising revenues;
- 1.5 percent for digital advertising revenues; and
- 0.484 percent for print and/or digital subscription revenues.

Purpose

Assist the newspaper industry by providing relief to sustain business activity in the state of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.500	$1.500	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.400	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington's newspaper subscription and advertisement revenues follow national trends.
- Newspaper income taxed under preferential rate during Fiscal Year 2018 equals $445.7 million.
- Newspaper revenue from subscription and advertisement is decreasing at the annual rate of 3.4 percent, based on Washington's past 4-year average excise tax return data.
- July 1, 2020, effective date will result in 11 months of cash collections in Fiscal Year 2021.

- Roughly 59 percent of revenues are from advertisement in newspapers (20 percent of revenues are from online digital advertising and 39 percent of revenues are from print advertising).
- Approximately 41 percent of revenues are from either digital, print, or print/digital bundled subscriptions.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	The newspaper industry
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.263 - Radioactive waste cleanup

Description

Persons in Washington engaging in the business of cleaning up radioactive waste and other by-products of weapons production and nuclear research and development for the United States, or its instrumentalities, receive a preferential B&O tax rate of 0.471 percent.

Purpose

Encourages the clean-up of radioactive waste at the Hanford site, which is crucial to the environment in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$35.774	$37.262	$38.832	$40.485
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$34.157	$38.832	$40.485
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Without this preference, activity would be taxed at 1.5 percent.
- Average of $3.1 billion in taxable income annually.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Radioactive waste cleanup businesses
Taxpayer Count:	238
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.272 - Prescription drug resellers

Description

Businesses registered with the Federal Drug Enforcement Administration and licensed by the Pharmacy Quality Assurance Commission that warehouse and resell prescription drugs receive a preferential B&O tax rate of 0.138 percent, rather than the general wholesaling tax rate of 0.484 percent.

Purpose

To provide tax relief to firms that experience low profit margins and to encourage resellers of prescription drugs to relocate to Washington State.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$23.956	$25.202	$26.263	$27.381
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$23.102	$26.263	$27.381
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Prescription drug resellers
Taxpayer Count:	39
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.280 - Rental of real estate

Description

In 1935 RCW 82.04.390 included the prohibition against taxing income from the rental of real estate. In 1959 RCW 82.04.280 was amended to subject the rental of real estate to B&O tax at a rate of 0.25 percent. The following year the State Supreme Court ruled the tax to be unconstitutional in Apartment Operators Association of Seattle v. Schumacher, 56 Wn. 2d 46 (1960). The Washington Supreme Court later questioned the validity of Schumacher, but never specifically overturned the holding. RCW 82.04.280 does not explicitly provide an exemption, but it does not include the activity in the list of those subject to tax.

Purpose

The Court held that the B&O tax on rental income constituted a tax on property. The State Constitution requires that property taxes be levied uniformly and the B&O tax, in addition to property taxes, would result in non-uniform taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$63.007	$64.000	$65.029	$66.088
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Taxing real estate rental income would directly challenge Washington Supreme Court precedent and likely lead to another court challenge. Based on subsequent decisions by the court, the court may overturn Schumacher leading to an increase in revenue, but it is just as likely for the court to uphold Schumacher leading to no increase in revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.627	$16.908	$25.774
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Residential real estate includes non-apartment dwellings and manufactured / mobile homes. The small business credit available for service activities will be greater than or equal to the tax due for the residential rental income for these taxpayers. No revenue will be gained by repealing the exemption on residential real estate, but many of these taxpayers may still be required to register with the Department.
- Commercial real estate includes buildings and dwellings that have not been defined as residential real estate, this includes apartment buildings. All revenue reflected in this estimate is associated with commercial real estate income.

- Growth rate for revenue generated from repealing this exemption mirrors a combination of personal income growth from the Economic and Revenue Forecast Council's Mach 2019 forecast and the change in the number of multi-family, manufacturing, and commercial parcels in Washington State.
- Significant litigation risk associated with this proposal which is reflected in the compliance rates.
- Compliance:
  - 13 percent revenue collections in Fiscal Year 2020;
  - 26 percent revenue collections in Fiscal Year 2021;
  - 39 percent revenue collections in Fiscal Year 2022; and,
  - 52 percent revenue collections in Fiscal Year 2023 and thereafter.
- 11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- 2012 Economic Census, Real Estate and Rental and Leasing: Geographic Area Series
- County Assessor data
- Economic and Revenue Forecast Council's March 2019 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	By statute in 1935, by court decision in 1960
Primary Beneficiaries:	Rental property owners
Taxpayer Count:	25,000
Program Inconsistency:	None evident
JLARC Review:	Not Reviewed by JLARC

82.04.280(1)(f) - Radio and TV broadcasting

Description

For B&O tax purposes, radio and television broadcasters may exclude revenues from network, national, and regional advertising computed using:

- A standard deduction that is published by the Department; or,
- An itemization calculation to exclude the portion of revenue representing 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.866	$0.866	$0.866	$0.866
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue, unless the tax would be considered as interfering with interstate commerce.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.794	$0.866	$0.866
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Future deduction amounts claimed will be similar to the average deductions for the last five years.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1967
Primary Beneficiaries:	Interstate broadcasters
Taxpayer Count:	58
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.290(1) - International investment management services

Description

Qualifying businesses engaged in providing international investment management services (IIMS) are allowed a preferential B&O tax rate of 0.275 percent, compared with the general service rate of 1.5 percent.

A qualifying international investment management services business:
- Is primarily engaged in investment management services;
- Has at least ten percent of its gross income coming from providing investment management services to:
  - Collective investment funds commercially domiciled outside the U.S.; or,
  - Collective investment funds with at least ten percent of their investments located outside the U.S.
- Has more than 25 percent of its employees located in Washington;
- Is a member of an affiliated group having:
  - Ten or more offices located in at least eight foreign countries;
  - At least 500 full-time employees worldwide;
  - Worldwide gross revenue of more than $400 million during the current or preceding calendar year; and,
  - Average assets under management of more than $200 billion during the current or preceding calendar year.

Purpose

To retain international investment management services within the state. Such firms could easily move to a location outside of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.560	$0.641	$0.613	$0.621
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, taxpayers can move this activity out of state.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.588	$0.613	$0.621
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

None

Data Sources

Department of Revenue excise tax and audit data

82.04.290(1) - International investment management services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Qualifying IIMS businesses
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.290(3) - Aerospace product development

Description

Firms that develop aerospace products for others pay a preferential B&O tax rate of 0.9 percent, as compared to the general services rate of 1.5 percent. The preferential rate expires on July 1, 2040.

Purpose

To provide an incentive for firms developing aerospace products, such as engineering and design firms. These firms do not engage in actual manufacturing or repair of commercial aircraft and therefore cannot take advantage of other aerospace incentives.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.359	$2.521	$2.603	$2.603
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.304	$2.603	$2.603
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate used is the "industrial production index for aerospace products and parts" from Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers identified in E2SHB 2158 will be subject to higher B&O surcharge rate that will become effective January 1, 2020.
- Surcharge amounts deposited into workforce education investment account.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Firms engaged in aerospace product development
Taxpayer Count:	144
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.2905 - Child care

Description	Firms engaged in providing child care receive a preferential B&O tax rate of 0.484 percent, compared with the general services tax rate of 1.5 percent.

Notes:
- Churches that provide child care for periods of less than 24 hours are exempt from B&O tax under RCW 82.04.339;
- The care of children up to the age of eight is exempt from B&O tax under RCW 82.04.4282; and,
- The impacts of these exemptions are in separate estimates.

Purpose

Reduces the cost of child care for families and reduces the tax burden for an industry with low profit margins.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.250	$1.305	$1.361	$1.418
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.196	$1.361	$1.418
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Washington State Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses providing child care
Taxpayer Count:	1,298
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.2906 - Chemical dependency treatment

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 rate of 1.5 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 providing such services and in turn improve the general welfare of the community; to provide a preferential rate similar to the preferential rate provided for certain nonprofit activities important to the state, such as research and development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.546	$0.592	$0.646	$0.707
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.543	$0.646	$0.707
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Entities providing treatment for chemical dependency
Taxpayer Count:	11
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.2908 - Assisted living facilities

Description

Licensed assisted living facilities providing room and domiciliary care to residents receive a reduced B&O tax rate of 0.275 on business income. The standard service rate is 1.5 percent.

Domiciliary care means assistance with activities of daily living provided by the assisted living facility either directly or indirectly; or health support services, if provided directly or indirectly by the assisted living facility; or intermittent nursing services, if provided directly or indirectly by the assisted living facility.

Purpose

Makes the taxation of assisted living facilities similar to the treatment of nursing homes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.773	$11.221	$11.694	$12.191
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.286	$11.694	$12.191
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assisted living facilities are properly reporting income.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Adult assisted living facilities
Taxpayer Count:	318
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.2909 - Aluminum manufacturing and wholesaling

Description

A reduced tax rate of 0.2904 percent applies to manufacturing and wholesaling of aluminum. This special tax rate expires on January 1, 2027. If there were no special rate, the manufacturing rate would be 0.484 percent.

Purpose

Provides tax relief to the aluminum industry by providing a reduced B&O rate to manufacturers, processors for hire, and wholesalers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers take advantage of this tax preference; the revenue impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.294 - Solar energy and silicon product manufacturers

Description

The B&O tax rate on manufacturing of solar energy systems or the production of silicon components of these systems is 0.275 percent until June 30, 2027. If there were no special rate, the manufacturing rate would be 0.484 percent.

A person who utilizes this special tax rate must file annual reports with the Department detailing employment, wages paid, and employee benefits.

Purpose

To support the solar electric industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.232	$0.197	$0.167	$0.141
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.180	$0.167	$0.141
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Solar energy and silicon product manufacturing activities will decline at the average rate of 15.7 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Businesses
Year Enacted:	2005
Primary Beneficiaries:	Businesses manufacturing certain solar energy systems and their components
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.298(2) - Grocery distribution co-ops

Description

Qualified grocery cooperatives that do not make wholesale sales may deduct from the gross proceeds of sales of groceries for resale the cost of goods sold that represents the actual cost of the merchandise sold to its customer-owners. However, 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three co-ops benefit from this exemption; impact cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Grocery distribution cooperatives
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.299(5) – Hospitals exempt from workforce education surcharges

Description

Amounts received by hospitals are exempt from the workforce education investment surcharges in RCW 82.04.299(5). Hospitals are defined in RCW 70.41.020. This includes any hospitals that come within the scope of RCW 71.12 if they are also licensed under RCW 70.41.

Purpose

To lower costs for hospitals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.811	$6.382	$4.663	$4.886
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.850	$4.663	$4.886
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Revenue growth varies due to compliance factors.
- This exemption took effect on January 1, 2020. There are 5 months of taxpayer savings in Fiscal Year 2020.
- There are 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Hospitals
Taxpayer Count:	111
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.301 - University-managed hospital in King County

Description

Certain hospitals, as defined in RCW 70.41 are exempt from business and occupation tax. In order to qualify for the exemption each hospital must be owned by a county with a population greater than two million and managed by a state university.

The exemption is effective July 1, 2019.

The exemption expires January 1, 2030.

Purpose

To lower taxes on hospitals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference; impact cannot be disclosed.

Data Sources

- Department of Revenue excise tax data
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	University-managed hospital in King County
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.310(2) - Electricity sales for resale

Description

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

Purpose

With deregulation of the electrical energy market firms other than light and power businesses are selling electricity. This exemption parallels the public utility tax exemption for electricity for resale. The sale of electricity to the consumer is the taxable transaction.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.187	$1.238	$1.288	$1.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.135	$1.288	$1.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate in line with March 2019 Forecast for electricity sales.

Data Sources

- U.S. Department of Commerce's Energy Information Administration, form 861
- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2000
Primary Beneficiaries:	Power marketers selling electricity under contract to other entities
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.04.310(3) - Natural gas surplus sales

Description

Sales of natural or manufactured gas are exempt from B&O tax if the person sells within the United States a total amount of natural or manufactured gas that is no more than twenty percent of the amount of natural or manufactured gas they consumed within the United States within the same calendar year.

Purpose

Allows large industrial users who are not in the business of selling natural gas to sell back unused gas without incurring B&O tax liability.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is minimal.

Data Sources

U. S. Energy Information Administration, Natural Gas Consumption by End Use; http://www.eia.gov/dnav/ng/ng_cons_sum_dcu_swa_a.htm

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2007
Primary Beneficiaries:	Businesses using natural gas in industrial processes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.311 - Tobacco Settlement Authority

Description

Income received by the Tobacco Settlement Authority ("Authority") under chapter 43.340 RCW is exempt from B&O tax. The Authority has certain financing powers under chapter 43.340 RCW, including the issuance of bonds to pay for purchasing a portion of the amounts due to the state under the Master Settlement Agreement. The interest and gain on those bonds would otherwise be subject to B&O tax but for this exemption.

Purpose

Recognizing that the Authority is a public instrumentality of the state and is not engaged in conducting an enterprise activity.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue, but the state would be taxing a public instrumentality.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact of this exemption cannot be disclosed since it impacts fewer than three taxpayers.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2002
Primary Beneficiaries:	The Authority and indirectly, citizens of the state
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.315 - International banking facilities

Description

International banking facilities in Washington receive a B&O tax exemption for income. An international banking facility is:

- A branch of a foreign bank;
- A set of accounts segregated by a commercial bank for international banking;
- An Edge corporation under the Federal Reserve Act; or,
- Certain Agreement corporations under the Federal Reserve Act.

Purpose

Encourages international trade through banks in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.490	$4.620	$4.730	$4.840
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.240	$4.730	$4.840
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth mirrors the IHS Markit forecast of composite lagged interest rates for generating personal income.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Census Bureau, state population estimates
- Federal Reserve System data for assets, liabilities of U.S. branches, agencies of foreign banks
- Global Insight Division of IHS, Inc. March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	International banking facilities
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.04.317; 82.04.422(1) - Wholesale auto auctions

Description

Motor vehicle manufacturers, their financing subsidiaries (must be at least 50 percent owned by the manufacturer), and vehicle dealers licensed under chapter 46.70 RCW are exempt from wholesaling B&O tax on their wholesale sales of motor vehicles if the sales take place at a wholesale auto auction and the purchaser is a vehicle dealer licensed under chapter 46.70 RCW.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.447	$2.433	$2.454	$2.509
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.230	$2.454	$2.509
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers are reporting this deduction under the "Other" deduction from wholesaling B&O and are entering "Auction", "82.04.317", and/or "82.04.422" in the description field.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast for auto sales

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Car dealers/auctioneers
Taxpayer Count:	288
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.04.320 - Insurance premiums

Description

Income 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$728.600	$765.000	$803.300	$843.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue if RCW 48.14.080 is also amended to allow B&O taxation of premium income.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$701.300	$803.300	$843.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 5 percent a year.
- Premiums can be subject to both insurance and business and occupation taxes.
- 1.5 percent B&O tax rate is the measure of tax savings.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Insurance companies and ultimately policyholders
Taxpayer Count:	1,600
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.321 - Health care provider qualified health plan amounts

Description

Amounts received by a health care provider for services performed on patients covered by a qualified health plan offered under the health plan offered under RCW 41.05.321 are exempt from business and occupation tax. This includes reimbursement from the qualified health plan and any amounts collected from the patient as part of his or her cost-sharing obligation.

Purpose

To lower tax for businesses receiving income under the qualified health plan program.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Potential revenue gain as a result of eliminating this exemption is indeterminate. Department of Revenue estimates the magnitude of the potential revenue gain to the state general fund may be roughly $3 to $5 million per fiscal year.

Data Sources

- Health Care Authority
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Healthcare providers
Taxpayer Count:	34,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 subject to the state insurance premiums tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$313.500	$331.100	$349.700	$369.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue if RCW 48.14.080 were also amended to allow B&O taxation of premium income.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$303.500	$349.700	$369.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 5.6 percent a year.
- Activity will be subject to the insurance premiums tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1993
Primary Beneficiaries:	HMOs, HCSCs and CHPs and their members
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.323 - Health Benefit Exchange

Description

Amounts received by the Washington Health Benefit Exchange (WHBE) are not subject to B&O taxes. Established as a private-public partnership under RCW 43.71, the WHBE operates the on-line marketplace that provides access to qualified health insurance plans. Amounts received by the WHBE include federal grants, federal premium tax subsidies and credits, charges to health carriers, and enrollee-paid premiums. This exemption expires July 1, 2023.

Purpose

To reduce the WHBE's operating costs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; impact is not disclosed.

Data Sources

Washington State Health Benefit Exchange

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Washington Health Benefit Exchange
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.324 - Nonprofit blood, bone and tissue banks

Description

Qualifying nonprofit blood or tissue banks or qualifying blood and tissue banks receive a B&O tax exemption from income to the extent the amounts are exempt from federal income tax. A qualifying nonprofit blood or tissue bank means an exempt organization that is registered pursuant to 21 C.F.R., part 1271, and whose primary business purpose is the recovery or collection, preparation, testing or processing of blood; storage, labeling, packaging or distribution of human bone tissue and similar ligament tissue. Until July 1, 2016, this exemption will also apply to nonprofit organizations that provide services on behalf of other qualifying blood banks or qualifying blood and tissue banks.

Purpose

To support the activities of these entities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.086	$5.300	$5.522	$5.751
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.858	$5.522	$5.751
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 80 percent of income reported to the federal government would be subject to service B&O tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Federal income tax data for non-profits
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit blood, bone or tissue banks
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.326 - Organ procurement

Description

Qualified nonprofit organ procurement organizations receive a B&O tax exemption on income that is exempt from federal income tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact of this exemption cannot be disclosed since there are fewer than three beneficiaries.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit organizations that locate and obtain human organs for transplant operations
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

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 as an adult family home; or,
- Exempt from licensing under rules of Department of Social and Health Services.

Purpose

Reduces the cost of operating adult family homes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.792	$4.792	$4.792	$4.792
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.393	$4.792	$4.792
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Department of Social and Health Services

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Adult family homes
Taxpayer Count:	2,966
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.330 - Agricultural producers

Description

Farmers who grow, raise, or produce agricultural products for sale at wholesale are exempt from B&O tax. Agricultural products, as defined in RCW 82.04.213, includes 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. It does not include marijuana, useable marijuana, or marijuana-infused 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, so they cannot pass on the tax to their customers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$46.000	$47.400	$48.900	$50.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$43.450	$48.900	$50.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Ninety percent of value of production would be taxable without the exemption.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U. S. Department of Agriculture, National Agricultural Statistics Service (NASS)
- U. S. Department of Agriculture's Census of Agriculture

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Large agricultural producers
Taxpayer Count:	10,000 – 12,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.330(1) - Bee pollination services by apiarists

Description

Eligible apiarists are exempt from the B&O tax on income received for providing bee pollination services to qualified farmers. The apiarists must provide the pollination services using bee colonies that the apiarists own or keep.

Purpose

To provide B&O tax relief for Washington's apiarists to counter the negative economic impact on the state's agricultural sector caused by colony collapse disorder and resulting loss of bee hives occurring when the bill was enacted in 2008.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.034	$0.034	$0.034	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.031	$0.034	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Apiarists who own or keep one or more bee colonies, and grow or produce honey products for wholesale, will register their hives with Washington State Department of Agriculture.
- Fiscal Year 2018 apiarists reported over $4 million gross revenues on the B&O Tax service line, of which over $1 million was taxable.
- Fiscal Year 2017 apiarists reported over $3 million gross revenues on the B&O Tax service line, of which about $965,000 was taxable.
- Difference is exempt amount for pollination services performed by bee brokers.
- July 1, 2020, effective date, with 11 months collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Washington State Department of Agriculture list of registered apiarists

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Apiarists that provide pollination services
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.330; 82.04.100 - Christmas tree producers

Description

Farmers who grow Christmas trees on a plantation using agricultural production methods are exempt from the extracting and wholesaling B&O tax. Retail sales of plantation Christmas trees by farmers are subject to retailing B&O and retail sales taxes.

Purpose

Recognizes that production of Christmas trees is similar to other agricultural production.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.091	$0.093	$0.094	$0.095
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.085	$0.094	$0.095
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Average national Christmas tree sales growth is 1.2 percent over the past 14 years.

Data Sources

- United States Department of Agriculture, National Agricultural Statistics Service
- Pacific Northwest Christmas Tree Association
- Christmas trees sold in the United States, Statista

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Christmas tree farmers
Taxpayer Count:	460
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.331 - Conditioned seed wholesaling

Description

Wholesale sales to farmers of conditioned seeds used for planting are exempt from B&O tax. The exemption also applies to conditioning seed owned by other persons.

The exemption excludes seeds packaged for retail sale, "flower seeds" or "vegetable seeds" as defined in RCW 15.49.011, seeds or portions of plants used to grow marijuana, ornamental flowers, shrubs, trees, ferns or mosses.

Purpose

Assist firms that provide seed used in commercial agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.845	$0.865	$0.885	$0.905
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.793	$0.885	$0.905
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 95 percent of conditioned seed purchased is from a Washington State seller.
- Growth rate reflects the growth rate of farmers' expense for seeds in 2012 US Department of Agriculture Farming Census for Washington.
- 58 percent of crop production is from conditioned seed qualifying for wholesale exemption.

Data Sources

U. S. Department of Agriculture - 2017 Agriculture Census

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Wholesalers of conditioned seeds used for planting
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.332 - Grain and unprocessed milk wholesaling

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.

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.900	$9.000	$9.100	$9.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$8.250	$9.100	$9.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average annual wholesale sales of grain and unprocessed milk total $1.8 billion.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U. S. Department of Agriculture Bulletin and 2017 Agriculture Census
- Joint Legislative Audit and Review Committee

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Agricultural businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.333 - Small timber harvesters

Description

Small timber harvesters (anyone who harvests less than 2 million board feet in a calendar year) may deduct up to $100,000 per tax year from their gross receipts or value of products proceeding or accruing from timber harvested. Effectively, small timber harvesters are taxable only on activity in excess of $100,000 per tax year.

Purpose

To support small harvesters.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.070	$0.071	$0.072	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.065	$0.072	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Annual growth based on March 2019 timber excise tax forecast.
- 0.3424 percent B&O tax rate is the measure of tax savings.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- Economic Forecast Council's March 2019 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Small timber harvesters
Taxpayer Count:	235
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.334 - Standing timber exclusion

Description

Sales of standing timber excluded from the definition of "sale" in RCW 82.45.010(3) for purposes of Real Estate Excise Tax are exempt from the B&O tax.

Purpose

To support the State's timber industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The exempted amounts are non-monetary transactions.
- No data exists for the value of exempted timber.
- The impact is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Integrated wood products companies and real estate investment trusts
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.335 - Agricultural fairs

Description

Organizations that conduct agricultural fairs are exempt from B&O tax if no part of earnings inures to any stockholder or member of the association.

Income from admissions to specific exhibits, entertainment or other business activities conducted with the fairgrounds by third party concessionaires is taxable.

Purpose

Supports agricultural fairs by reducing the costs to run the fairs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.576	$0.582	$0.588	$0.593
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.533	$0.588	$0.593
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- One percent growth per year.

Data Sources

- Washington State Fairs Association
- County fair websites

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1965
Primary Beneficiaries:	County or community fairs or youth livestock shows
Taxpayer Count:	About 70 county and community fairs or youth livestock shows
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.337 - Hops processed and exported

Description

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

Purpose

Recognizes that processing of hops into extract, pellets or powder is merely to facilitate shipment of the product and eliminates it from manufacturing B&O tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.040	$2.040	$2.040	$2.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.870	$2.040	$2.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 2018, approximately 77.7 million pounds of hops were produced in Washington. There is consistent hop production per year, so no annual growth.
- Over 95 percent of hops are processed into extract or pellets.
- About 98 percent of processed hops are exported outside of Washington.
- Farm-gate value of Washington hops in 2018 was $5.5 per pound.
- Value of processed hops is approximately 150 percent of farm gate value.
- Processed value of exported hops is about $422.3 million per year.

Data Sources

- Washington Hop Commission
- U. S. Department of Agriculture - National Hop Report issued in December 2018
- Liquor and Cannabis Board
- Brewers Association

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Hop producers/merchants
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.338 - Hop Commission services

Description

Nonprofit organizations are exempt from B&O tax on income earned from business activities performed for a hop commodity commission or hop commodity board.

Purpose

Supports the hop industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.003	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase state revenues. Organizations doing business with the Hop Commission would be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- One nonprofit organization that performs work for the Hop Commission.
- Value of the work performed is $197,000 per year.
- Amount of services performed will be constant.
- Per the Hop Commission, the service amount is not confidential.

Data Sources

Washington Hop Commission

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Nonprofits doing services for the Hop Commission
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.339 - Church child care

Description

B&O tax does not apply to churches that provide child care for periods of less than 24 hours. The church must be exempt from property tax under RCW 84.36.020 to qualify.

Purpose

Reduces the cost of operating such facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.205	$0.214	$0.223	$0.232
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.025	$0.058	$0.091
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate derived from March 2019 Economic and Revenue Forecast Council.
- This group of taxpayers are currently not registered, reporting compliance is expected to be:
  - 13 percent revenue collections in Fiscal Year 2021;
  - 26 percent revenue collections in Fiscal Year 2022;
  - 39 percent revenue collections in Fiscal Year 2023; and,
  - 52 percent revenue collections in Fiscal Year 2024 and thereafter.

Data Sources

- Economic and Revenue Forecast Council's March 2019 Forecast
- Washington Department of Early Learning 2018 Child Care Market Rate Survey Final Report
- Washington Department of Early Learning 2014 Child Care Survey

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Day care centers that operate in churches
Taxpayer Count:	126
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

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.

Purpose

Reduces the cost of providing these services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference, impact cannot be disclosed.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Child care resource and referral offices
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.340 - Boxing and wrestling matches

Description

Income received from conducting boxing, kickboxing, martial arts or wrestling matches requiring a license from the Department of Licensing are exempt from B&O tax.

Purpose

In 2009, the tax was changed to a fee. The fee is 6% of gross receipts and $1 per ticket sale. The purpose of the exemption was to avoid double taxation; however, funds are deposited into the Business and Professions Account to cover the costs of licensing and regulating these professions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.021	$0.021	$0.021	$0.021
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.020	$0.021	$0.021
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Boxing as a sport is experiencing zero to negative growth.

Data Sources

Washington Department of Licensing

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Boxing or wrestling matches
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

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.

Purpose

To exempt gross income from B&O tax that is already taxable under the pari-mutuel tax (RCW 67.16.105).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues, although the income is also subject to pari-mutuel tax. Pari-mutuel wagering receipts are subject to both pari-mutuel tax and the 0.13 percent B&O surtax. They are not currently subject to the regular B&O tax under the service classification.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth since horse racing in Washington continues to decline.
- Fewer than three taxpayers take advantage of this tax preference.

Data Sources

Washington Horse Racing Commission

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Persons who conduct horse racing events
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

82.04.355 - Ride-sharing and special needs transportation

Description

Public social service agencies, private nonprofit transportation providers, van pools and car pools that provide transportation services for commuters and persons with special transportation needs are from exempt B&O tax on income received.

Purpose

Reduces motor vehicle fuel consumption and traffic congestion by promoting commuter ride sharing and supports certain organizations that provide group transportation services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Income received in the course of commuter ride sharing or ride sharing for persons with special transportation needs would be subject to public utility tax under the motor or urban transportation classification absent the exemption in RCW 82.16.047.
- There is minimal, if any, taxpayer savings from this exemption.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit social service organizations, van pools and car pools that provide transportation services for commuters and persons with special transportation needs
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.360 - Income of employees

Description

Employees and servants are exempt from the B&O tax for their income.

The exemption does not extend to corporate board directors, or to RCW 18.16 licensed cosmetologists, barbers, estheticians, and manicurists who pay a fee to use part of a salon, but do not receive compensation from the owner. They must pay B&O tax.

Purpose

Provides a B&O tax exemption for those not engaged in business as independent contractors. Washington's Constitution does not allow a personal income tax. B&O tax applied to employee income may be considered a personal income tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,907.500	$2,044.400	$2,078.800	$2,122.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may increase revenues; however, a repeal would likely result in litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1,839.900	$1,974.800	$2,016.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxes are first imposed on compensation earned in July 2020.
- Employers must withhold wages and remit the tax to Department of Revenue; the Department receives quarterly payments, first due in October 2020.
- Firms must withhold wages for each taxpayer required to file.
- All wages earned by employees are subject to this tax.
- Small business tax credit applies, using the Service and Other Activities classifications; individuals with wages below the phase-out threshold are assumed to have no taxable wages, but are included in counts of those registering and filing.
- Compliance is 90 percent in the first year and 95 percent thereafter.
- Taxpayers using this preference are subject to the Higher Education Surcharge.

Data Sources

- IRS Personal income tax returns data, source for wages amounts
- IRS W2 data, source for number of firms withholding tax
- Economic and Revenue Forecast Council's March 2019 forecast, for wage growth rates

82.04.360 - Income of employees

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Individuals receiving wages and salaries
Taxpayer Count:	1,387,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.360(1) - Life insurance sales employees

Description

Full-time life insurance sales agents are exempt from B&O tax on their income.

Purpose

The federal government treats life insurance sales agents as independent contractors. Washington treats them as employees. Other employees are exempt from B&O tax, so this exemption treats life insurance agents the same as other employees.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.104	$1.139	$1.180	$1.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, the difficulty in locating life insurance sales agents impacts the potential revenue gains from a full repeal.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.520	$0.706	$0.850
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the Washington State real personal income growth rate reflected in Economic & Revenue Forecast Council's February 2018 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Life insurance premiums are 23 percent of total insurance premiums.
- Compliance:
    - 50 percent revenue collections in Fiscal Year 2021;
    - 60 percent revenue collections in Fiscal Year 2022; and,
    - 70 percent revenue collections in Fiscal Year 2023.

Data Sources

- Employment Security Department Employment and Wage Data
- Economic & Revenue Forecast Council's February 2018 forecast
- Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Life insurance sales agents
Taxpayer Count:	3,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.363 - Nonprofit camps and conference centers

Description

Nonprofit organizations are exempt from B&O tax on 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:

- Camping and lodging facilities, the use of meeting rooms, parking;
- Furnishing food and meals;
- 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 camps and conference centers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.799	$1.853	$1.908	$1.966
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase state revenues. Money collected from purchases of certain items at camps and conference centers would be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.699	$1.908	$1.966
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Camps are an $18 billion industry, nationwide.
- 3 percent growth.

Data Sources

- National Center for Charitable statistics
- https://www.acacamps.org/press-room/aca-facts-trends, American Camp Association

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	Participants at camps and conferences operated by nonprofit organizations
Taxpayer Count:	Around 200 organizations that offer camps and conferences
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.3651 - Nonprofit organization fund-raising

Description

Nonprofit organizations that do fund-raising activities are exempt from the B&O tax. Fund-raising activity is for the purpose of furthering the goals of the nonprofit organization, and includes:

- Soliciting or accepting contributions; and,
- Selling goods or services.

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 by reducing operating costs and provide a limited excise tax exemption for fund-raising activities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$52.399	$53.971	$55.590	$57.257
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase state revenues. Income received from fundraising activities would be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$49.470	$55.590	$57.257
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington nonprofits reported over $64.6 billion in total revenue in FY 2016.
- 21 percent of income came from contributions, gifts and government grants.
- Fundraising is assumed to be 25 percent of that income.
- Annual growth of 3 percent.

Data Sources

- National Center for Charitable Statistics
- https://independentsector.org/wp-content/uploads/2016/12/Washington.pdf

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations which raise funds to support their activities
Taxpayer Count:	About 32,000 Washington nonprofits
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.367 - Nonprofit student loan organizations

Description

A B&O tax exemption is provided for the gross income of nonprofit organizations exempt from federal income tax under section 501(c0(3) of the internal revenue code that:

- Are guarantee agencies under the federal guaranteed student loan program;
- Issue debt for student loans; or,
- Provide guarantees for student loans.

Purpose

Promotes the availability of student loans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues if beneficiaries existed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The Federal Family Education Loan (FFEL) Program was terminated; now all education assistance is provided directly by the federal government rather than through a nonprofit organization.
- Due to the restructuring of the federal government's education loan process, there will likely be no revenue impact for this statute.

Data Sources

- Lender Disclosure Statement for Northwest Education Loan Association (NELA)
- FFEL Program and Direct Loan Players, July 22, 2014

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	Nonprofit student loan organizations qualifying under the statue
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.368 - Nonprofit credit and debt counseling

Description

Nonprofit organizations are exempt from the B&O tax for income received for providing credit and debt counseling services.

Purpose

To reduce the cost of credit and debt counseling services provided by eligible nonprofit entities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Nonprofits do not generally charge clients for the counseling service.
- Minimal taxpayer savings.

Data Sources

- Credit Counseling Washington www.needhelppayingbills.com/html/credit_counseling_washington.html
- Debt Reduction Services www.debtreductionservices.org

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Nonprofit credit and debt counseling organizations
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.370 - Fraternal insurance

Description

Insurance premium income received 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 under RCW 48.36A.240.

Purpose

To support the programs and activities of these organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.000	$3.000	$3.000	$3.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.800	$3.000	$3.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average of $202 million in premium income annually.
- Without this preference, the activity would be taxed at 1.5 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.380 - Federal instrumentalities furnishing aid and relief

Description

A B&O tax exemption exists for corporations created by Congress that provide:

- Volunteer aid to the armed forces; and,
- A system of national and international disaster relief.

Purpose

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption applies to fewer than three taxpayers; revenue impacts cannot be disclosed.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.385 - Nonprofit sheltered workshops

Description

Nonprofit organizations that operate sheltered workshops and group training homes for persons with developmental disabilities are exempt from the B&O tax on income received from the state or from business activities from the operation of sheltered workshops.

Purpose

Reduces the cost of providing services to persons with developmental disabilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.680	$1.750	$1.820	$1.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.600	$1.820	$1.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 11 months of collections in Fiscal Year 2017 due to July 1, 2016, effective date.
- Growth mirrors the March 2019 forecast for Retail, Wholesale, Services and Manufacturing B&O tax classifications.

Data Sources

- Department of Revenue tax return data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	Workshops and training homes throughout the state
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.390 - Real estate sales

Description

Proceeds from selling real estate are exempt from B&O tax. However, commissions, fees, interest and similar financial charges from selling real estate are subject to B&O taxes.

Purpose

From the B&O tax's inception, sales of real estate have been exempt. Although the purpose is unclear, it could be because:

- The B&O tax was intended to tax only sales of tangible personal property and certain services; or,
- Exempting such sales would benefit the real estate industry, as such sales would be subject to real estate excise tax but not B&O tax (note sales of tangible personal property are subject to both retail sales tax and retailing B&O tax).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$350.367	$355.512	$360.021	$368.847
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would likely not increase revenues. In 1960, the Washington Supreme Court determined that taxing real estate rental income is unconstitutional. Although the Supreme Court has questioned the validity of this decision in later court decisions, the case is still good law. Applying the analysis of the decision to sale of real estate, it is likely the Washington Supreme Court would determine that taxing sales of real estate is unconstitutional as well. Barring the court overturning or distinguishing its precedent on the rental of real estate issue, it is likely repealing the exemption would not be upheld by the court.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue will be realized by repealing this exemption.
- Taxpayer savings grow at the same rate as real estate excise tax in Economic and Revenue Forecast Council's March 2019 forecast.
- Taxpayer count is the same as total yearly affidavits for real estate excise tax.

Data Sources

- State real estate excise tax collections
- Economic and Revenue Forecast Council's March 2019 forecast

82.04.390 - Real estate sales

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Individuals selling real estate
Taxpayer Count:	250,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.392 - Trust account amounts received by mortgage brokers

Description

Amounts received by mortgage brokers from a borrower for paying third-party provided services are exempt from B&O tax.

Purpose

Recognizes the funds passing-through to third parties are not income for the mortgage broker.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.153	$0.178	$0.176	$0.180
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, mortgage brokers may be able to qualify certain third-party costs as advances or reimbursements under WAC 458-20-111. Those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.163	$0.176	$0.180
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Buyers will use a mortgage broker for a home loan 15 percent of the time.
- Certain third-party fees would not qualify as pass-through (under WAC 458-20-111) and the broker would owe tax on those amounts.
- Eighty percent of the third-party fees paid by brokers qualify as pass-through (under WAC 458-20-111).
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers using this preference are subject to the Higher Education Surcharge.

Data Sources

- IHS Markit's March 2019 forecast
- Economic and Revenue Forecast Council's March 2019 forecast
- Washington Center for Real Estate Research (WCRER)
- U.S. Census Bureau Building Permits Survey
- Bankrate Closing Costs Survey, May 2017

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Mortgage brokers holding funds used to pay for third-party provided services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.399 - Academic transcripts

Description

Educational institutions are exempt from B&O tax on income from sales of academic transcripts.

Purpose

Educational institutions which are considered departments and institutions of the state of Washington (e.g., The University of Washington) are not subject to B&O tax and would not be subject to sales of transcripts regardless of this exemption. Private institutions, however, would be subject to B&O tax on such sales. This exemption provides that all educational institutions, public or private, are exempt from B&O tax on amounts received for sales of transcripts, and thus levels playing field for public and private educational institutions with respect to these sales.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.011	$0.011	$0.012	$0.012
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.010	$0.012	$0.012
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- State would not pay B&O tax on income providing transcripts for students at public colleges and universities, is not a taxable "person" under RCW 82.04.030.
- Political subdivisions are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.
- 50% of college graduates order and pay for 5 transcripts @ $10 each.
- 80% of high school students order 4 transcripts @ $2 each.

Data Sources

- Office of the Superintendent of Public Instruction
- Office of Financial Management

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1996
Primary Beneficiaries:	Public and private educational institutions
Taxpayer Count:	295 School districts, 22 4-year & 34 2-year institutions
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.405 - Credit unions - Federal chartered

Description

Credit unions organized under federal law are exempt from B&O tax.

Purpose

The Federal Credit Union Act prohibits state taxation of federally chartered credit unions. Accordingly, the exemption was established when the B&O tax was extended to financial institutions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.184	$3.800	$3.901	$4.209
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because federal law prohibits state taxation of federal credit unions.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No credit union meets the criteria to pay the additional 1.2 percent additional tax created in SHB 2167 during the 2019 Legislative session.
- Taxpayer savings includes the service and other activities B&O tax plus the higher education surcharge (E2SHB 2158 from the 2019 Legislative session).
- Included credit union taxpayer savings from loans since revenue is not included in the first mortgage deduction.
- Growth rate based on the compound annual growth rate for federally chartered credit union gross income from 2014 to 2018.

Data Sources

- National Credit Union Administration

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Federally chartered credit unions
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.405 - Credit unions - State chartered

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$48.308	$59.626	$63.317	$70.640
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue, but state-chartered credit unions could simply apply for federal charters. There are benefits to being organized as a state-chartered credit union which might exceed the potential B&O tax liability.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.700	$3.200	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on the interest and non-interest revenue sources for credit unions, this estimate grows total revenues by 11.5 percent.
- Credit unions tax savings includes savings from the interest income on first mortgages and if this exemption was repealed, first mortgage interest income would become taxable.
- Tax rate for credit union savings and potential revenues is 1.5 percent service and other B&O rate plus the higher education surcharge.
- No credit unions would meet the criteria for additional financial institutions tax.
- If this exemption was repealed, large and medium sized credit unions would become federally chartered resulting in only 5 percent of the taxpayer savings becoming taxable.

Data Sources

National Credit Union Administration data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	State chartered credit unions
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.408 - Housing Finance Commission

Description

Income received by 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 that provides affordable housing.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may possibly increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Only affected entity is a government agency; impact cannot be publicly stated since there is only one entity affected by the statute.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Housing Finance Commission
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption
JLARC Review:	JLARC completed an expedited report in 2011

82.04.410 - Hatching eggs and poultry

Description

Farmers who produce and sell hatching eggs or poultry for use in production of poultry or poultry products are exempt from B&O tax.

Purpose

To support poultry producers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.002	$0.002	$0.002	$0.002
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.002	$0.002	$0.002
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Baby chicks currently cost about 65 cents for a day-old chick; an 18-week old pullet costs about $9. Washington farmers spent $2.5 million on chicks and eggs.
- No hatcheries in Washington produce genetically improved chicks on a large scale basis for commercial producers. Most of Washington's commercial egg producers purchase their replacement chicks from out-of-state hatcheries that deliver the chicks to them.
- 20 percent purchased in state.
- No annual growth.

Data Sources

- U. S. Agriculture Census, 2017
- Joint Legislative Audit & Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers the produce and sell eggs or poultry for production
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.415 - Sand and gravel for local road construction

Description

The cost of labor and services performed in mining, sorting, crushing, screening, washing, hauling and stockpiling of sand, gravel and rock taken from a pit owned by or leased to a city or county is exempt from B&O tax. The sand, gravel or rock 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

Reduces the cost of local governments building and maintaining streets and roads.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.200	$0.221	$0.245	$0.271
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.203	$0.245	$0.271
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is eleven percent.
- Sand and gravel used in local construction represents 7.5 percent of government contracting as reported by 70.9 percent of highway, street and bridge construction businesses.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1965
Primary Beneficiaries:	Contractors and municipalities performing road work
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.416 - 2nd Narrows bridge

Description

Income from the operation of state route 16 corridor transportation systems and facilities constructed and operated under Chapter 47.46 RCW is exempt from B&O tax. This statute addresses the second bridge across the Tacoma Narrows. The state contracts with a private firm to operate the toll booths. The income the state pays the operator of the bridge tolling systems is exempt from B&O tax under this statute. The toll receipts are income of the state and not subject to state B&O tax.

Purpose

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from exemption; impact may not be disclosed.

Data Sources

- Washington State Department of Transportation
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business Incentive
Year Enacted:	1998
Primary Beneficiaries:	Businesses that contract with the state to operate bridge toll facilities
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.418 - Grants to local government

Description

Grants from the state or the United States government to municipal corporations or political subdivisions are exempt from B&O tax.

Purpose

Supports grants for social welfare services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- B&O tax exemption under RCW 82.04.419 includes amounts for other governmental grants.
- B&O tax deduction under RCW 82.04.4297 includes amounts for social welfare grants.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Local jurisdictions that have social welfare programs
Taxpayer Count:	3,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.419 - Local government business income

Description

Counties, cities, towns, school districts and fire districts receive a B&O tax exemption.

Public utilities and enterprise activities do not receive a B&O tax exemption. Enterprise activities include activities financed and operated similar to a private business.

Purpose

Excludes government activities, except utility and enterprise activities, from tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$214.000	$223.000	$233.000	$244.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$43.000	$49.000	$52.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain types of county, city, town, school district, and fire district income is exempt under other statutes (for example: RCW 82.04.4281, RCW 82.04.4291, and RCW 82.04.4297).
- County, city, town and fire district growth rate is based on the Economic and Revenue Forecast Council's March 2019 forecast for taxable service and other activities B&O.
- Growth rate for school district income is based on ten year average growth rate of school district income.
- For business and occupation taxes, the income under this exemption would be classified as service and other income and the tax rate would be 1.5 percent.
- Taxpayers using this exemption would not be subject to the higher education surcharge.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- State Auditor's Office, Local Government Financial Reporting System data
- Office of the Superintendent of Public Instruction, school district financial data
- Economic and Revenue Forecast Council’s March 2019 forecast

82.04.419 - Local government business income

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Counties, cities, towns, school districts, and fire districts
Taxpayer Count:	1,026
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.4201 - Regional transit authority sales and leasebacks

Description

Lease payments received under a sale and leaseback arrangement involving a regional transportation authority (RTA) are exempt from B&O tax.

Purpose

This is a financing mechanism used by the RTA to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Internal Revenue Service changed its policy and no longer allows investors to write-off depreciation for federal taxes for sale and leaseback arrangements, so the RTA no longer uses this financing mechanism.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This financing mechanism is no longer used.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Regional transit authority
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.421 - Group discount purchases

Description

Memberships in a qualifying discount program are exempt from B&O tax if the seller delivers the membership materials to a point outside the state.

Purpose

Provides tax relief to Washington firms that sell discount purchase memberships to residents of other states.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, the firm could easily shift its location outside of this state for sales to nonresidents.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no longer any businesses using this tax exemption.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Sellers of certain memberships
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.422(2) - Dealer trades of automobiles

Description

New car dealers are exempt from the wholesaling B&O tax for wholesale sales of new vehicles to other new car dealers of the same make of vehicle.

Purpose

Recognizes these sales are for the convenience of dealers to enable them to meet customer demand and do not represent profit for the seller.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.192	$1.231	$1.275	$1.318
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.129	$1.275	$1.318
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- This estimate may be overstated as the repeal of the Dealer Trades deduction may result in additional taxpayers taking a deduction for "Accommodation Sales" (many of these transactions may qualify as both).

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2001
Primary Beneficiaries:	Dealers of new motor vehicles
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.425 - Accommodation sales

Description

Wholesale sales between businesses regularly selling the same type of property are exempt from the wholesaling B&O tax where the sale:

- Is at cost to a buyer with an existing order for the product from a customer; or,
- Occurs within 14 days as a reimbursement in-kind for a previous accommodation sale.

Additionally, sales by a wholly-owned subsidiary to its parent company are exempt from the wholesaling B&O tax when the parent:

- Sells the goods in a transaction that is exempt under RCW 82.08.0262; and,
- Pays the B&O tax.

Purpose

Exempts wholesale sales made between businesses solely for the purpose of adjusting inventories in order to satisfy customer demand.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.907	$1.947	$1.989	$2.031
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, it is likely that businesses will make fewer accommodation sales to other sellers if they are required to pay B&O tax on such sales.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.785	$1.989	$2.031
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 11 months of collections in fiscal year 2021.
- Growth rate assumed is average growth rate for the last five years.
- Data used only includes casual/accommodation sales deductions from businesses with motor vehicle dealer NAICS codes assigned; this could include amounts due to casual sales and could exclude accommodation sales from other industries.
- Estimate may be overstated as the repeal of the Accommodation Sales deduction may result in additional taxpayers taking a deduction for "Dealer Trades" (many of these transactions may qualify as both).

Data Sources

Department of Revenue Fiscal Year 2014-2018 excise tax return data

82.04.425 - Accommodation sales

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1955
Primary Beneficiaries:	Wholesalers/retailers
Taxpayer Count:	121
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.4251 - Nonprofit convention and tourism promotion

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.023	$0.023	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.021	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Incentive impacts one organization, Washington Tourism Alliance (Alliance).
- Legislation passed in 2018 provides funds up to $1.5 million for Fiscal Year 2019 and $3 million per biennium for the Washington Tourism Marketing Authority to enter into a contract with the Alliance.
- Assume the Alliance will receive $1.5 million per fiscal year.
- Public data used to complete this estimate.

Data Sources

http://watourismalliance.com/aboutwta/

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2006
Primary Beneficiaries:	Private organizations that promote tourism
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.426 - Semiconductor microchip manufacturing after $1 billion investment

Description

Firms that semiconductor microchips are exempt from B&O tax on their manufacturing activity. The exemption is contingent on commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion.

To-date the investment criterion has not been met, and is unlikely to occur during the forecast period of this study. If the exemption does become effective, it will expire January 1, 2024.

Purpose

To retain and attract semiconductor firms in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The incentive will not be used because facility investment will not occur during the forecast period of this study.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.4261 - Federal small business innovation grants

Description

Grants received under the federal small business innovation research program are exempt from B&O tax.

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.193	$0.225	$0.226	$0.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.207	$0.226	$0.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington small businesses continue receiving over $25 million in federal small business innovation grants.
- Grant growth mirrors service and other activates B&O growth as forecasted by the Economic and Revenue Forecast Council in March 2019.
- Beginning January 1, 2020, this estimate includes the higher education surcharge for some businesses receiving these grants.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021

Data Sources

- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer Award data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2004
Primary Beneficiaries:	Small businesses
Taxpayer Count:	26
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

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. The small business technology transfer program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace.

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.032	$0.034	$0.038	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.032	$0.038	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Grant growth mirrors scientific R&D B&O growth by the Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- National Institute of Health Small business Innovation Research and Small business Technology Transfer Award data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Persons receiving grants from the federal government under the small business technology transfer program; this program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption will not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Life Science Discovery Fund has ceased operations, this entity has no income.
- This results in zero exempt B&O tax.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not Reviewed by JLARC

82.04.4264 - Nonprofit assisted living facilities

Description

Licensed nonprofit assisted living facilities licensed under chapter 18.20 RCW providing room and domiciliary care to residents are exempt from B&O tax on amounts received. A nonprofit assisted living facility is one operated as a religious or charitable organization, is exempt from federal income tax under 26 U.S.C. Sec. 501(c)(3), incorporated under chapter 24.03 RCW, operated as part of a nonprofit hospital, or is operated as part of a public hospital district.

"Domiciliary care" means assistance with activities of daily living provided by the assisted living facility either directly or indirectly; or health support services, if provided directly or indirectly by the assisted living facility; or intermittent nursing services, if provided directly or indirectly by the assisted living facility.

Purpose

Reduces the tax liability of nonprofit assisted living facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.174	$0.174	$0.174	$0.174
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.159	$0.174	$0.174
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Without this exemption, the B&O rate would be 0.275 percent.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data
- Department of Social and Health Services

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Nonprofit assisted living facilities
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4265 - Comprehensive cancer centers

Description

Comprehensive cancer center income is exempt from B&O tax to the extent the amounts are exempt from federal income tax.

Purpose

To encourage cancer research by a comprehensive cancer center as defined in RCW 82.04.4265.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; impact cannot be disclosed.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.4266 - Fruit and vegetable manufacturing or processing

Description

Businesses that manufacture or process fresh fruits or vegetables are exempt from the business and occupation (B&O) tax. Eligible activities include canning, preserving, freezing, processing or dehydrating of these agricultural products.

The exemption also applies to the activities of wholesaling products manufactured to a buyer that transports the products outside Washington.

"Fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products.

The exemption require an annual survey with the department.

The exemption currently expires on July 1, 2025, at which time these activities will be taxable at a rate of 0.138 percent.

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$17.300	$17.300	$17.300	$17.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$15.800	$17.300	$17.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- When the incentive expires, the amount of B&O tax due to be collected at 0.138 percent from manufacturing fresh fruits and vegetables will be minimal because manufacturers are allowed to apply the multiple activities tax credit (MATC) against wholesaling (0.484 percent) and retailing (0.471 percent).
- Revenue impact includes the amount from the exempt wholesale B&O when manufactured goods are sold to a buyer who transports the goods out-of-state.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth factor assumed because the amounts of tax savings in recent past have been consistent.

Data Sources

Department of Revenue excise tax data

82.04.4266 - Fruit and vegetable manufacturing or processing

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Firms that manufacture or process fruits or vegetables
Taxpayer Count:	239
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.4267 - Parking and business improvement areas

Description

A chamber of commerce or similar business association that contracts with a local government to administer the operation of a parking and business improvement area (PBIA) is exempt from the B&O tax for the amounts received to administer it.

Purpose

Ensures the PBIA will not receive a different tax treatment whether administered by a local government or a chamber of commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.438	$0.471	$0.506	$0.544
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.432	$0.506	$0.544
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Average annual growth rate of seven percent.

Data Sources

City Business Improvement Area reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Local government with business improvement areas
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4268 - Dairy products manufacturing or wholesaling

Description

Manufacturing and wholesaling of dairy product activities to purchasers who either transport out of state or who use dairy products as ingredients or component in the manufacturing of a dairy product. Eligible products include byproducts from manufacturing of dairy products, such as whey and casein. This exemption expires July 1, 2025.

The exemptions require a complete annual survey with the department.

Purpose

To encourage the production of milk and dairy products.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.900	$4.900	$4.900	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.500	$4.900	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth factor assumed because the amounts of tax savings have been relatively consistent.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Dairy businesses
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.4269 - Seafood products manufacturing

Description

Manufacturing of seafood products and selling activities of seafood products to purchasers who transport out of state are exempt from the B&O tax if the seafood remains in a raw, raw frozen, or raw salted state, when the manufacturing process is completed. This exemption expires July 1, 2025.

The exemptions require a complete annual survey with the department.

Purpose

To support the seafood processing industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.500	$3.500	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.200	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The amount of taxpayer savings was reported on the annual survey.
- When the incentive is repealed, the reported savings amount is going to be lost.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth factor assumed because the amounts of tax savings recently have been relatively consistent.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Seafood businesses
Taxpayer Count:	38
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.427; 82.34.050(2); 82.34.060(2) - Pollution control facilities

Description

Provides a credit against B&O tax for up to 50 percent of the cost of required pollution control facilities. The total annual credit is limited to 2 percent of the cost of such facilities.

Purpose

To encourage pollution control and to compensate Washington firms for the costs they incur to meet upgraded pollution standards.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would possibly increase revenues. Taxpayers may argue they have a vested right to credits currently being taken authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit; impact cannot be disclosed.
- 100 percent of this credit is taken against B&O tax.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.4271 - Nonprofit youth organization fees

Description

Nonprofit youth organizations may take a B&O tax deduction for membership fees, dues, and fees paid for the use of camping and recreational facilities.

Purpose

Supports the programs and social benefits provided by nonprofit youth organizations. This deduction covers the typical charges of YMCAs, church camps, and similar organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.497	$0.512	$0.527	$0.543
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.469	$0.527	$0.543
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth of 3 percent per year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

National Center for Charitable Statistics, National Taxonomy of Exempt Entities, Group O, Youth Development, https://nccs-data.urban.org/data.php?ds=bmf

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.4272 - Direct mail delivery charges

Description

Sellers may deduct delivery charges made for direct mailings from the B&O tax, provided the purchaser billing lists the charges separately. 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 costs (e.g., postage).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.022	$0.023	$0.024	$0.025
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.021	$0.024	$0.025
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- B&O reported retail sales growth rate forecast used for this estimate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Large mailing customers have their own mailing permits and would not purchase postage for mailing services.
- Large direct mailers service large firms and direct mailers with annual gross income over $1,000,000 would not sell the postage part of mailing services.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	124
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4274 - Nonprofit property management

Description

A B&O deduction is permitted for amounts that:

- A nonprofit property management company receives for compensating on-site employees from the owner of property;
- A property management company receives for compensating on-site employees from a housing authority; or,
- 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. The management company supervises the on-site personnel, but the wages are ultimately the obligation of the owner.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.874	$0.922	$0.970	$1.022
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.845	$0.970	$1.022
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Future growth rate will mirror the growth rate forecast for the services classification of the B&O tax.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- Department of Revenue excise tax data
- Employment Security Department Business Employment data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Nonprofit property managers
Taxpayer Count:	997
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4275 - Child welfare services

Description

Nonprofit health or social welfare organizations may deduct from the B&O tax amounts received as compensation for providing child welfare services under a government-funded program. A person may deduct from the B&O tax amounts received from the state for distributions to such a health or social welfare organization.

Purpose

Lessens the costs of nonprofit health or social welfare organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.093	$1.113	$1.134	$1.155
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.020	$1.134	$1.155
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate is 2 percent per year.
- 23 percent of child and youth services are non-profit.

Data Sources

- Department of Revenue excise tax data
- Department of Social and Health Services payment data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2011
Primary Beneficiaries:	Eligible nonprofit organizations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4281(1)(a) - Investments by nonfinancial firms

Description

Businesses qualify for a B&O deduction for investment income provided they are not engaged in banking, lending or security businesses.

Purpose

Recognizes that investment income for nonfinancial businesses does not constitute business income.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$269.900	$298.400	$300.100	$311.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues; however, most investment income could move out of Washington. Also, locating all taxpayers with taxable income may be difficult.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$246.100	$285.100	$296.100
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Non-financial businesses include estates, trusts, non-profits, and businesses not engaged in banking, lending or securities.
- The investment income of individuals would be taxed in Washington even if a person created a business outside of Washington to manage the investment income.
- Investment income includes interest, dividends, and net capital gains.
- Non-financial businesses, trusts, and non-profits owing tax of $10,000 or more on investment income will restructure immediately to manage investment income outside of Washington and recoup the cost of restructuring within three years.
- Estates cannot restructure to manage investment income outside of Washington.
- Estates, trusts, and non-profits owing tax on investment income will utilize the small business credit to reduce the tax they owe. Non-financial businesses eligible for the small business credit use the credit against income taxable under current law.
- Interest income and dividend income grow at the national rate of growth for these types of income as forecasted by the Global Insights Division of IHS, Inc.
- Capital gains income grows at the rate used in the capital gains model - either 2.4 percent or a formula based on growth in the 10-year average for equities.

- Washington's portion of national investment income by industry approximates the percentage of employment in Washington in that industry versus the industry's national employment.
- The Department of Revenue can easily notify non-financial firms, non-profits, estates, and trusts of the removal of this deduction.
- The Higher Education Surcharge is applied, using the effective rate across all NAICS codes.
- Non-financial firms are not subject to the additional B&O tax on specified financial institutions (SHB 2167 of 2019).
- Compliance: 90 percent in Year 1; 95 percent thereafter.

Data Sources

- IHS Inc. March 2019 forecast of interest, dividends, and equities
- Department of Revenue excise tax return data, Fiscal Year 2018
- Internal Revenue Service statistics of income
- Internal Revenue Service individual income tax return data, Tax Year 2016
- Internal Revenue Service estates and trusts return data, Tax Year 2016
- Bureau of Labor Statistics employment data by state

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Businesses and individuals
Taxpayer Count:	119,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4281(1)(b,c) - Investment of businesses in related entities

Description

Taxpayers qualify for a B&O tax deduction for amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries.

Taxpayers also qualify for a B&O tax deduction on amounts derived on loans between a subsidiary and a parent or subsidiaries of a common parent if the total investment and loan income is less than five percent of the business' gross income.

Purpose

Encourages capital investment in Washington and provides equal treatment to similarly situated taxpayers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues; however, businesses may be able to shift this income to out-of-state affiliates.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Information on amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries, and information on amounts derived on loans between a subsidiary and a parent or between subsidiaries of a common parent do not appear on state excise tax returns or business financial statements.

Data Sources

- Instructions for federal consolidated corporate income tax reporting
- Department of Revenue, Intercompany Transactions Report, 2012

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1970
Primary Beneficiaries:	Businesses with subsidiaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.4282(1,2) - Membership dues and fees

Description

Organizations receive a deduction from the B&O tax for bona fide initiation fees and membership dues paid by members solely for the privilege of continuing membership in the club and not for payment of goods or services.

Purpose

Recognizes that initiation fees and membership dues are not the business activity of the organization.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.282	$1.332	$1.384	$1.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.221	$1.384	$1.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Only fees and dues paid in which no goods or services received, are included.
- Labor unions report all membership dues and initiation fees to the U.S. Department of Labor.
- Entities whose primary business activity is retailing will report membership dues and initiation fees under retailing B&O tax and collect retail sales tax.
- Growth rate will mirror the B&O and Retail Sales tax growth rate reflected in the March 2019 economic forecast.
- A medium compliance factor is used because there would be both in state and out-of-state taxpayers that would be new to our system. Identifying those taxpayers through enforcement activities is likely to take several years.
- Compliance assumptions for businesses not currently registered and/or reporting:
  - 50 percent revenue collections in Fiscal Year 2017;
  - 60 percent revenue collections in Fiscal Year 2018;
  - 70 percent revenue collections in Fiscal Year 2019; and,
  - 80 percent revenue collections in Fiscal Year 2020 and thereafter.
- This proposal does not affect:
  - Business entities that are sole proprietorships;
  - Artistic or cultural organizations;
  - Social welfare organizations; or,
  - Nonprofit youth organizations.

82.04.4282(1,2) - Membership dues and fees

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast
- U.S. Department of Labor
- U.S. Census data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Organizations who provide a membership solely for social purposes
Taxpayer Count:	875
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

82.04.4282(3,4) - Contributions and donations

Description

Organizations may take a B&O tax deduction for amounts received as contributions and donations, provided no goods are sold or services are performed as a condition for receiving funds.

Purpose

Recognizes that donations are the business activity of the organization.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.530	$11.104	$11.690	$12.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.000	$11.690	$12.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate will mirror the B&O tax growth rate reflected in the March 2019 economic forecast.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit entities
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

82.04.4282(5) - Tuition and fees

Description

Educational institutions may take a B&O tax deduction for tuition fees and charges. Privately operated kindergartens also receive a B&O tax deduction for charges. Tuition fees defined in RCW 82.04.170 include:

- Fees for library, laboratory, or health services;
- Charges for room and board; and,
- Other special fees, made by an educational institution.

Purpose

Reduces the cost of education provided by schools and colleges.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$9.478	$9.995	$10.522	$11.084
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$9.162	$10.522	$11.084
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror B&O growth tax rate reflected in March 2019 economic forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Private educational institutions
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4282(6) - Trade shows

Description

Nonprofit trade or professional organizations receive a B&O tax deduction for charges to attend trade shows, conventions and educational seminars not open to the general public. The deduction covers admission fees and charges for occupying space.

Purpose

Provides a limited tax break for locally based trade and professional organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.041	$0.043	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.036	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate will mirror the business and occupation tax growth rate reflected in the March 2019 economic forecast.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	Nonprofit organization
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.4282(7) - Private kindergartens

Description

Privately operated kindergartens may take a B&O deduction for charges made to operate the kindergarten.

Purpose

Supports privately operated kindergartens.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Cannot be separated from the total tuition received by schools.
- Deduction is included in the deduction for tuition and fees, RCW 82.04.4282(5).

Data Sources

- Department of Revenue excise tax data
- Office of Superintendent of Public Instruction

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Privately operated kindergartens
Taxpayer Count:	530
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.04.4282(8) - Endowment funds

Description	There is a deduction from B&O tax for income derived from endowment funds.
Purpose	Recognizes that income derived from endowment funds is not business income.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amounts claimed under deduction are likely deductible under other statutes (e.g. donations/contributions or investment returns of non-financial businesses).
- There would be no revenue impact for this statute.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2005
Primary Beneficiaries:	Groups or organizations that receive endowment funds
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4283 - Cash discounts

Description

Businesses may take a B&O tax deduction for cash discounts taken by purchasers as long as the discount taken was included in the amount of gross revenue reported by the seller.

Purpose

Recognize that cash discounts allowed do not represent income to the seller.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Although taxpayers who use accrual-based accounting report this deduction and thus, experience savings, the state would not achieve revenue gains if the deduction is repealed. Taxpayers using cash basis accounting do not need to use the deduction; they report the actual amount received at the time of sale.
- Taxpayers who use accrual-based accounting would likely switch to cash basis accounting if the deduction is repealed.

Data Sources

Joint Legislative Audit and Review Committee Report 09-11: 2009 Full Tax Preference Performance Reviews (pp. 43-48)

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	7,381
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4284 - Bad debts

Description

Businesses may deduct bad debts from B&O tax.

Bad debts do not include:
- Property that remains with the seller until the full price is paid;
- Debt collection expenses;
- Sales or use tax paid to a seller; or,
- Repossessed property.

Purpose

Provides equal treatment to taxpayers using cash basis accounting and accrual basis accounting.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$15.665	$16.908	$17.410	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, some taxpayers would change from accrual basis accounting to cash basis accounting resulting in less of a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$15.499	$17.410	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There will be no immediate or significant shift from accrual based accounting to cash based accounting.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- The higher education surcharge applies to some of the taxpayers taking this deduction from service and other activities B&O tax.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	B&O taxpayers; businesses using an accrual accounting system
Taxpayer Count:	4,200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.4285 - Motor fuel taxes

Description

Motor vehicle fuel wholesalers and retailers may deduct from their B&O tax the amount of state and federal taxes included in the sales price of fuel. These taxes are imposed on distributors and passed on to consumers in the retail price.

The state levies a tax of 49.4 cents per gallon of fuel. The federal government imposes a tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$14.307	$13.470	$14.245	$14.692
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.347	$14.245	$14.692
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the growth rate for oil prices reflected in the March 2019 Economic Revenue & Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Fuel wholesalers and retailers
Taxpayer Count:	1,944
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4286 - Constitutional deductions

Description	Taxpayers may deduct amounts the state cannot tax under Washington's Constitution or the U.S. Constitution. For example Washington cannot tax: - Sales of firms delivering to other states (including imported goods); - Sales of firms without nexus in Washington; - Exported products of retailers and wholesalers; or, - Indian tribes' or tribal members' business activities in Indian country;
Purpose	Avoids violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,055.000	$1,130.000	$1,166.000	$1,218.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Washington does not have the power to tax these activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue would be collected if this exemption was repealed.
- Taxpayer savings growth rate mirrors the B&O growth rated reflected in Economic and Revenue Forecast Council's March 2019 forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast
- Washington State Gambling Commission data
- American Gaming Association, The Economic Impact of Tribal Gaming
- Economic Market Study: Casinos, Cardrooms and Other Forms of Gambling in Washington State, Spectrum Gaming Group, September 2016

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Firms engaged in interstate and foreign commerce and Indian tribal enterprises
Taxpayer Count:	38,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4287 - Processing horticultural products

Description

Farmers may claim a B&O tax deduction for income received for washing, sorting and packing fresh, perishable horticultural products.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.328	$4.501	$4.681	$4.868
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.126	$4.681	$4.868
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- It costs ten percent of the value to process horticultural products.
- Four percent annual growth.

Data Sources

Washington Department of Agriculture, Value of Agricultural Production

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Contractors of farmers who wash, sort and pack horticultural products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.4289 - Nonprofit kidney dialysis, nursing homes, and hospice

Description

Compensation received for patient care and the sale of prescription drugs furnished as an integral part of services to patients are exempt from B&O tax for:

- Nonprofit nursing homes;
- Nonprofit kidney dialysis facilities;
- Nonprofit hospice agencies; and,
- Homes for unwed mothers operated by religious or charitable organizations.

Purpose

Reduces the cost of caring for patients.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.230	$4.310	$4.400	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.950	$4.400	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 2 percent growth per fiscal year.
- No known homes for unwed mothers.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Organizations which operate these facilities and their patients
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2009

82.04.4291 – Services performed between local governments

Description

Local government jurisdictions may deduct income from other political subdivisions as compensation for services subject to B&O tax. These services 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact of deduction is included under the exemption for local government business income, RCW 82.04.419.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Local governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.4292 - Interest on real estate loans

Description

Banking, lending, security and other financial businesses located in ten states or less may deduct interest income earned on loans primarily secured by first mortgages or trust deeds on non-transient residential properties.

Interest includes the portion of fees charged to borrowers, including points and loan origination fees, recognized over the life of the loan as an adjustment in the taxpayer's accounting records according to generally accepted accounting principles.

Purpose

Reduces the cost of purchasing a home in Washington relative to other states.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$108.900	$114.800	$120.900	$127.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$105.200	$120.900	$127.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain banks make mortgage loans, but do not report detailed deduction data related to the first mortgage interest deduction (usually because they apportion their income between states). These banks use the deduction at the same rate as banks reporting the deduction detail.
- The ratio between the banks interest income from government obligations and from the first mortgage interest income reported to the Federal Financial Institutions Examination Council approximates the relationship between the deduction for government obligations and the deduction for first mortgages reported in Washington.
- Interest income growth mimics the growth in service and other activities as forecasted by the Economic and Revenue Forecast Council in the March 2019 forecast.
- Financial institutions deducting interest income earned on loans primarily secured by first mortgages deduct this income from the service and other activities B&O tax and the higher education surcharge (E2SHB 2158 from the 2019 Legislative session).

82.04.4292 - Interest on real estate loans

- Certain financial institutions deducting interest income earned on loans primarily secured by first mortgages deduct this income from the additional 1.2 percent additional tax (SHB 2167 during the 2019 Legislative session).
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue, excise tax data
- Federal Financial Institutions Examination Council, call report data
- Federal Deposit Insurance Corporation data
- Home Mortgage Disclosure Act data
- Nationwide Multistate Licensing System, branch data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Retail banks and mortgage companies
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.4293 - Interest from state and municipal obligations

Description

Banking, lending, security and other financial businesses may deduct interest income earned on obligations of Washington, its political subdivisions, and municipal corporations.

Purpose

Provides state tax treatment comparable to federal income tax treatment of state and municipal bonds and reduces the cost of state and local government construction projects financed by bonds.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.842	$3.857	$3.875	$3.895
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.536	$3.875	$3.895
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic & Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Financial institutions with economic nexus in Washington that hold public bonds
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.04.4294 - Interest on agricultural loans

Description

From B&O taxable amounts, qualifying banks may deduct interest income on loans made to:
- Farmers;
- Ranchers;
- Aquatic product producers/harvesters; or,
- Their cooperatives.

Qualifying banks must be owned exclusively by its members or borrowers and only make loans or provide financial-related services to:
- Farmers;
- Ranchers;
- Aquatic product producers/harvesters;
- Their cooperatives;
- Rural residents for housing; or,
- People furnishing farm-related or aquatic-related services to these individuals or entities.

Purpose

Reduce the cost of loans supporting the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.605	$3.669	$3.706	$3.766
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.360	$3.706	$3.766
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Qualifying banks with loans in Washington totaling more than $57,000 to farmers, ranchers, aquatic product producers/harvesters or their cooperatives would have nexus and owe tax.
- Growth in the producer price index fluctuates greatly in the short term; long term the forecasted growth is minimal. Interest income from qualifying loans will not grow.
- Interest on real estate loans made by qualifying banks would be exempt under RCW 82.04.4292 when the bank has branches or employees in ten or less states.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

82.04.4294 - Interest on agricultural loans

Data Sources

- Farm Credit Administration Banks
- Annual Reports of Farm Credit Administration Banks making loans in Washington
- IHS, Inc. - Global Insights Division's March 2019 forecast of the producer price index for farm products

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1970
Primary Beneficiaries:	Certain banks that make agricultural loans
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4295 - Minor final assembly completed in Washington

Description

The value of a product initially manufactured outside the state may be deducted from the gross amount reported under the manufacturing B&O tax, by manufacturers in Washington, when the following criteria are met:

- Any additional processing in this state consist of minor final assembly;
- Minor final assembly does not exceed two percent of the sales value; and,
- The product is sold and shipped outside of Washington.

The amount of the deduction is equal to the value of the product prior to being brought into Washington.

Purpose

Stimulates trade and imports of products through Washington ports.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Changes in federal import regulations has resulted in imported truck components no longer being assembled at Washington ports.
- There are no known beneficiaries of this deduction.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1977
Primary Beneficiaries:	Manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.4296 - Funeral home reimbursement

Description

Funeral homes may claim a B&O deduction for amounts received as a reimbursement for expenditures made by the funeral 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;
- Billed to the person paying for the funeral at the cost charged to the funeral home; and,
- Itemized separately on the billing statement.

Purpose

To reduce the cost of funerals and simplify the billing of various components of funerals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.035	$0.037	$0.039	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.034	$0.039	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers using this exemption are properly reporting as a deduction on their excise tax returns.
- Annual growth rates will mirror the average growth rate for B&O taxes reflected in the Economic & Revenue Forecast Council's March 2019 report.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Funeral homes
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.4297 - Nonprofit organization government grants

Description

Nonprofit organizations or local government entities may take a B&O tax deduction for amounts received by health or social welfare organizations as compensation 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.

Medicare and Medicaid receipts of nonprofit and public hospitals are also deductible.

Purpose

To provide government with greater purchasing power when government provides financial support for the provision of health or social welfare services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$107.910	$111.180	$114.500	$117.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$101.900	$114.500	$117.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington nonprofits reported almost $64.6 billion in total revenue in Fiscal Year 2016.
- Nationwide, 21 percent of income came from contributions, gifts and government grants.
- Government grants are assumed to be half of these sources, or 11.5 percent.
- 3 percent growth per year.

Data Sources

- National Center for Charitable statistics
- https://independentsector.org/wp-content/uploads/2016/12/Washington.pdf

82.04.4297 - Nonprofit organization government grants

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit organizations that receive government grants
Taxpayer Count:	About 32,000 Washington nonprofits
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4298 - Condominium homeowner maintenance fees

Description	Funds received by cooperative housing associations, condominium associations or residential property associations and used for repair, maintenance, management and improvement of residences and the commonly held property are deductible from B&O tax.
Purpose	To treat maintenance fees similarly to funds set aside by homeowners for similar maintenance and upkeep purposes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.473	$21.212	$21.981	$22.782
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$19.444	$21.981	$22.782
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate of housing units mirrors Office of Financial Management average forecast of housing unit growth.
- 6.3% of households pay a monthly condo fee (American Housing Survey, 2017).
- Condominium association's pay monthly and housing associations pay yearly.
- Average annual condominium fee is $4,356 (Trulia data), $504 for homeowners.

Data Sources

- U.S. Census Bureau, 2018 census data and 2017 American Housing Survey
- Office of Financial Management, 2018 Housing Units forecast
- Trulia, Homeowner Association fee data
- Foundation for Community Association Research, 2018 Community Associations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Cooperative housing associations, condominium associations or residential property associations
Taxpayer Count:	10,450
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.4311 - Medicare payments to public and nonprofit hospitals

Description

Public and nonprofit hospitals and community health centers receive a B&O tax deduction 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 under Chapter 70.47. The deduction applies whether the revenues are 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$165.700	$184.900	$206.300	$230.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$169.500	$206.300	$230.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (revenue from government programs) growth of 11.6 percent a year.
- 95 percent of government payments to hospitals are to public/non-profit hospitals.
- 80 percent of government payments to hospitals are through managed care.
- Community health centers receive 81 percent of revenue from government.
- Without this preference, the revenues above would be taxed at 1.5 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Health

82.04.4311 - Medicare payments to public and nonprofit hospitals

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit/public hospitals and community health centers
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.432 - Municipal sewer service payments

Description

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

Purpose

Collection of sewage is taxable under the state public utility tax. Interception, treatment and disposal of sewerage are subject to the state B&O tax under the service and other activities classification. This deduction eliminates pyramiding of the tax when multiple utilities provide sewage services. Because of the deduction provided by RCW 82.04.4291 (charges for services between political subdivisions of the state), this income is not subject to tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.004	$3.168	$3.335	$3.513
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues as long as legislation also repeals RCW 82.04.4291. Otherwise, there would be no increase in revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.904	$3.335	$3.513
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers with notes regarding political subdivisions are not showing deductions for payments to other municipalities or government agencies.
- Taxpayers are reporting deductions correctly.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021

Data Sources

- Economic & Revenue Forecast Council data, March 2019
- Department of Revenue excise tax data for Fiscal Year 2018

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Washington cities
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.4322 - Arts organizations - Government grants

Description

Nonprofit artistic or cultural organizations, including performing arts groups such as music, theater, dance, and art history museums may claim a B&O tax deduction for amounts received from government grants.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.044	$2.106	$2.169	$2.234
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.930	$2.169	$2.234
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 15 percent of total income is from government grants.
- Three percent growth per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4324 - Arts organizations - Value of items manufactured

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for the value of items manufactured. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.307	$0.317	$0.326	$0.336
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.290	$0.326	$0.336
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 15 percent of business income is due to manufactured items.
- Three percent growth per year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Art cultural organizations that manufacture items
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4326 - Arts organizations - Tuition program charges

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for tuition charges to programs they offer. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.588	$1.635	$1.685	$1.735
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.499	$1.685	$1.735
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Twenty-five percent of business income is from tuition program charges.
- Three percent growth per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4327 - Arts organizations - Income from business activities

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for income from business activities. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.860	$3.010	$3.170	$3.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.760	$3.170	$3.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Nonprofit growth will mirror B&O growth.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit artistic, cultural or humanity organizations
Taxpayer Count:	800
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.433 - Fuel used in commercial vessels

Description

Businesses selling fuel to commercial vessels may take a B&O tax deduction for sales of fuel for consumption outside of U.S. territorial waters by vessels used primarily in foreign commerce. This fuel is commonly referred to as bunker fuel. This deduction applies only to B&O taxes on wholesaling and retailing activities, not to manufacturing activities.

Purpose

Treats income from marine fuel sales delivered in Washington for use in vessels conducting foreign commerce the same as income from sales of goods delivered out-of-state, and keeps marine fuel sellers from moving out of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.588	$4.492	$4.370	$4.293
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.117	$4.370	$4.293
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Oil sales will continue to grow at the forecasted rate provided by the Economic & Revenue Forecast Council's March 2019 forecast.
- Oil prices will stay relatively stable.
- Vessel bunker sales will not be impacted significantly by sulfur fuel restrictions.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration oil sales data
- Washington State excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Marine fuel dealers
Taxpayer Count:	26
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4331 - Insurance claims for state health care coverage

Description

Insurance companies may take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

Purpose

To prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurance firms with a deduction that was available to health care contractors and health maintenance organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because the state now self-insures and no commercial insurer was selected to provide the uniform health plan for state employees.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This exemption is no longer in use.
- It allowed insurance companies to take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1988
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.4332 – Tuition fees – Foreign degree-granting institutions

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for tuition charges to programs they offer. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Twenty-five percent of business income is from tuition program charges.
- Three percent growth per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4337 - Medicaid payments to assisted living facilities

Description

Licensed assisted living facilities receive a B&O tax deduction for amounts received from Medicaid for residential care.

Purpose

To make the tax treatment of assisted living facilities the same as nursing homes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.386	$1.388	$1.390	$1.392
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.272	$1.390	$1.392
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Adult assisted living facilities, adult residential care and adult enhanced services are taking full deduction amounts allowed by RCW 82.04.4337.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Social and Health Services client data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities that are organized for-profit
Taxpayer Count:	8,844
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4339 - Salmon habitat restoration grants

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.410	$0.410	$0.410	$0.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.376	$0.410	$0.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Due to fluctuations in historical grant funding assume zero growth in the future.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Salmon Recovery Funding Board, Estuary and Salmon Restoration Program report, Preliminary 19-21 Investment Plan
- Salmon Recovery Funding Board, 2018 Salmon Recovery Grant Funding report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Nonprofit organizations restoring salmon habitat
Taxpayer Count:	47
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.43391 - Commercial aircraft loan interest and fees

Description

This preference provides a business and occupation tax deduction to out-of-state financial institutions when they make loans to a Washington-based commercial airlines, who use the loan to purchase commercial airplanes. The out-of-state lenders may deduct business and occupational tax on the interest and fees they earn from the loans they provide from the measure of tax. The deduction authorized under this section is not available to any person who is physically present in this state.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.063	$1.362	$1.314	$1.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction will increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.249	$1.314	$1.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 50% of the funds loaned to the Washington-based air carrier is supplied by large "specified" taxpayers who are subject to the additional 1.2 percent business and occupation tax under SHB 2167, which will become effective on January 1, 2020.
- The carrier may purchase additional airplanes in the future; assuming new loan will be offset by retiring the old loan, loan interest earning stays relatively stable.

Data Sources

- 2019 Joint Legislative Audit and Review Commission Tax Preference Review
- Various online sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Out-of-State financial institutions making loans to purchase airplanes for Washington-based companies
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.04.43392 - Dispute resolution services

Description

A qualified dispute resolution center may take a B&O tax deduction for amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. Nonprofit organizations may also take this deduction for amounts received from federal, state, or local governments for distribution to a qualified dispute resolution center.

Purpose

To provide relief to taxpayers using governmental or nonprofit funding to engage in dispute resolution services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers; impact is confidential.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2012
Primary Beneficiaries:	Dispute resolution centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43393 - Paymaster services for affiliates

Description

Employers providing paymaster services to an affiliate may deduct from B&O tax amounts received to cover employee costs for a qualified employee. Employee costs from a contractual obligation to provide services do not qualify for the deduction. A qualified employee is an employee with whom the affiliate has a functional employment relationship.

Purpose

Ensures affiliated businesses do not incur additional tax burden when streamlining the payroll process.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.464	$2.795	$2.730	$2.814
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, paymasters may be able to restructure and qualify under WAC 458-20-111 to treat payments received for wages and benefits as advances or reimbursements. Those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.562	$2.730	$2.814
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain paymasters would restructure and use the PEO exemption (RCW 82.04.540(2)) or WAC 458-20-111. This estimate assumes 1 out of 3 paymasters restructure before July 1, 2020 and use the PEO exemption or WAC 458-20-111.
- All paymasters report on the combined excise tax return and use a deduction to report employee costs.
- Employee costs will grow at the same rate as wages forecasted by the Economic and Revenue Forecast Council.
- Taxpayers using this preference are subject to the Higher Education Surcharge.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Employers providing paymaster services to an affiliate
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395 - Accountable communities of health

Description

Accountable Communities of Health (ACH) may take a B&O tax deduction for delivery system reform incentive payments distributed by the Health Care Authority through Medicaid demonstration project number 11-W-00304/0, as described in Sec. 1115 as approved by the centers for Medicare and Medicaid services in accordance with Sec. 1115(a) of the Social Security Act.

For the purposes of this deduction, an ACH is an entity designated as a community of health under RCW 41.05.800, or any other ACH authorized by the Health Care Authority as part of Sec. 1115 Medicaid demonstration project number 11-W-00304/0.

Purpose

To promote a more consistent tax structure by allowing ACHs and qualifying hospitals to take a deduction similar to that taken by other nonprofit and public-private health care organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.711	$1.711	$1.711	$1.711
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.568	$1.711	$1.711
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No annual growth.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.
- Businesses are not subject to the B&O workforce education surcharge.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395(2) - Hospital delivery system reform incentive payments

Description

Certain hospitals may take a business and occupation tax deduction for income from delivery system reform incentive payments received through Medicaid demonstration project number 11-W-00304/0, as described in Sec. 1115, approved by the centers for Medicare and Medicaid services in accordance with Sec. 1115(a) of the Social Security Act.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision, or must be affiliated with a state institution.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No businesses currently qualify for the tax exemption.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395(2)(a) - Hospital incentive payments received through medicaid quality improvement program

Description

Certain hospitals may take a business and occupation (B&O) tax deduction for income received as incentive payments received through the Medicaid quality improvement program established through C.F.R. 438.6(b)(2), as it existed on July 28, 2019.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision, or must be affiliated with a state institution.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.703	$1.703	$1.703	$1.703
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.561	$1.703	$1.703
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Zero growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are not subject to the workforce education surcharge.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395(3) - Managed care organization incentive payments

Description

Managed care organizations may take a business and occupation tax deduction for income received as incentive payments for achieving quality performance standards established through 42 C.F.R. 438.6(b)(2), as it existed on July 28, 2019.

"Managed care organization" has the same meaning as provided in RCW 74.60.010.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.711	$1.711	$1.711	$1.711
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.568	$1.711	$1.711
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assuming zero growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are not subject to the workforce education B&O surcharge.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Healthcare industry
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43396 - Scan down allowances

Description

Sellers may take a service and other business and occupation (B&O) tax deduction for income received from scan-down allowances.

"Scan-down allowance" means a payment or credit offered to a seller by a manufacturer or wholesaler of products, where:

- The amount of the payment or credit is based on the quantity of the product to be sold at retail by the seller within a specified period of time;
- The seller knew the terms of the offer before making the sales that generated the payment or credit from the manufacturer or wholesaler; and,
- The seller is not required to provide any services to the manufacturer or wholesaler or engage in any business activities directly or indirectly benefiting the manufacturer or wholesaler, in order to receive the payment or credit from the manufacturer or wholesaler.

"Product" is defined as:

- Food and food ingredients that are defined in RCW 82.08.0293, whether or not exempt from sales tax under RCW 82.08.0293; and,
- Pet food and specialty pet food as defined in RCW 15.53.901.

This bill specifies that a requirement that the seller sell at a certain retail price or a specific price reduction does not constitute either:

- A service provided by the seller to the manufacturer or wholesaler; or,
- A business activity directly or indirectly benefiting the manufacturer or wholesaler.

Purpose

To resolve an issue regarding the application of business and occupation tax law. This also lowers taxes for grocers, grocer manufacturers, and grocer wholesalers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.000	$2.500	$2.500	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.292	$2.500	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.43396 - Scan down allowances

Assumptions

- This exemption took affect 90 days after the 2019 legislative session adjournment; there are 10 months of taxpayer savings in Fiscal Year 2020.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are not subject to the workforce education surcharge.

Data Sources

- U.S. Census data
- Washington State Economic and Revenue Forecast Council November 2018
- Department of Revenue excise tax data
- "Slotting Allowances in the Retail Grocery Industry: Selected Case Studies in Five Product Categories." November 2013
- Statista.com

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Grocery sellers and wholesalers
Taxpayer Count:	11,030
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.434 - Testing and safety labs

Description

Nonprofit corporations providing public safety services and information to the state of Washington receive a B&O tax credit for these services. The state must request the services. Qualifying nonprofit corporations must:

- Not have any direct or indirect industry affiliation; and,
- Not charge the state for the provided services.

Purpose

Encourages businesses that provide public safety services to locate in Washington and ensure these services are available for the safety of Washington residents.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms that purchase electric power directly from the BPA
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.440(2,3) - Multiple activities tax credit - Instate

Description

Businesses that engage in multiple taxable activities in Washington with respect to a product may take a credit so that tax is effectively paid for only one of the activities. For example, a business that manufactures and/or extracts and also sells a product receives a credit for taxes paid on manufacturing and/or extracting activities.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and that businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$252.100	$259.700	$269.000	$278.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$238.000	$269.000	$278.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Credit grows at the rate of growth in manufacturing B&O as forecasted by Economic and Revenue Forecast Council.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1987
Primary Beneficiaries:	Businesses conducting multiple activities in Washington
Taxpayer Count:	10,706
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.440(4) - Multiple activities tax credit - Interstate

Description

Businesses may take a B&O tax credit when paying taxes more than once on the same product because they engage in multiple taxable activities within and outside of Washington. This credit is only available to businesses subject to a gross receipts tax similar to Washington's B&O tax. The credit can be up to the taxes paid to the other state.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and that businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.700	$1.800	$1.800	$1.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues provided the in-state multiple activities credit were also repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.600	$1.800	$1.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Credit grows at the rate of growth in manufacturing B&O as forecasted by Economic and Revenue Forecast Council.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1985
Primary Beneficiaries:	Businesses conducting multiple activities in Washington and other states with a gross receipts tax
Taxpayer Count:	33
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.4451 - Small business credit

Description

Qualifying businesses may take a credit against B&O tax due of up to $35 per month. The credit phases out as the B&O tax liability exceeds $35, phasing out completely when the tax due exceeds $70. For service businesses, the monthly credit is $70. This credit phases out as the B&O tax liability exceeds $70, phasing out completely when the tax due exceeds $140. The Department provides credit tables for use by all taxpayers, which applies the credit in $5 increments.

Purpose

To provide tax relief to small businesses and encourage the growth of new firms.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$54.948	$57.264	$59.663	$62.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$52.492	$59.663	$62.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

None.

Data Sources

- Department of Revenue excise tax data
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Small businesses
Taxpayer Count:	281,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.44525 - International services credit

Description

International service businesses receive a $3,000 B&O tax credit for each new job they create. Eligible activities include computer, legal, accounting, engineering, architectural, advertising, financial, and other services. Qualifying businesses must be located in a community empowerment zone (CEZ) or in a city (or group of neighboring cities) with a population of at least 80,000 having the same characteristics as a CEZ.

Purpose

Attracts and retains businesses that create jobs and provide services to international customers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.057	$0.060	$0.063	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.055	$0.063	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers using the international services credit report most of their B&O tax under the service and other classification.
- Growth in the credit mimics growth in the taxable service and other activities as forecasted by the Economic and Revenue Forecast Council.
- Taxpayers use the credit reported in a calendar year equally each month.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	International service business in CEZ or area like CEZ
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.4461 - Aerospace pre-production expenditures

Description

Businesses engaged in aerospace product development are eligible for a B&O tax credit equal to 1.5 percent of qualified expenditures. Qualified expenditures include research, design and engineering costs incurred in the development of aerospace products but do not include actual production-related costs. Commercial airplane and component manufacturers are eligible for the credit on expenditures incurred after December 1, 2003. Other persons are eligible for the credit on expenditures incurred after June 30, 2008. This credit expires July 1, 2040.

A person reporting under the tax rate must file a complete annual tax performance report with the department.

Purpose

To create jobs and promote the presence of the aerospace industry in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$104.100	$111.100	$114.700	$115.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$101.900	$114.700	$115.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate used is the "industrial production index for aerospace products and parts" from the Economic and Revenue Forecast Council's March 2019 forecast.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes or components
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.4463 - Commercial airplane manufacturing - Credit for taxes paid

Description

Manufacturers of commercial airplanes or commercial airplane components qualify for a B&O tax credit for state and local property taxes paid on land and buildings constructed after December 1, 2003, used exclusively to manufacture commercial airplanes or components. The credit is also available for leasehold excise taxes paid on land and buildings constructed after January 1, 2006, used exclusively for the same purposes.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them;
- Increased value due to facility renovation or expansion; and,
- Manufacturing machinery and equipment.

Manufacturers of tooling specifically designed for use in manufacturing commercial airplanes, persons providing aerospace product development, and persons providing aerospace services qualify for a B&O tax credit for state and local property or leasehold excise taxes paid on land and buildings constructed after June 30, 2008.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them;
- Increased value due to facility renovation or expansion;
- Manufacturing machinery and equipment; and,
- Computer hardware, peripherals and software.

This credit expires July 1, 2040.

A person reporting under the tax rate must file a complete annual tax performance report with the department.

Purpose

Encourages a new assembly plant for a super-efficient aircraft to locate in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$40.700	$43.400	$44.800	$45.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$39.800	$44.800	$45.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4463 - Commercial airplane manufacturing - Credit for taxes paid

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate used is the "industrial production index for aerospace products and parts" from the Economic and Revenue Forecast Council's March 2019 forecast.

Data Sources

- Department of Revenue credit data
- Snohomish County Assessor's Office
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes and components
Taxpayer Count:	26
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.447 - Natural gas sold to direct service industry (DSI)

Description

Direct Service Industry (DSI) customers (persons who purchase electric power directly from the Bonneville Power Administration) may take a B&O tax credit for the amount of public utility tax due on purchases of natural or manufactured gas used to generate electric power consumed by the DSI customer at its own gas turbine electrical generation facility. The tax credit may be used for 60 months following the first qualifying gas purchase and the DSI customer must maintain its existing level of employment to take the credit.

Purpose

To encourage DSI customers to continue manufacturing in Washington by constructing their own natural gas powered turbines after their BPA power contracts expire.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Assuming some businesses take the credit, repealing the exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - New jobs credit

Description

Businesses may take a credit of $3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials. Businesses may take the credit in the calendar year the position is filled and up to eight consecutive years if the position is maintained. The credit is contingent on commencement of commercial operations by a new semiconductor materials fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion.

To date, the investment criterion has not been met and is unlikely to occur during the forecast period of this study. If the credit were to become effective, it would expire January 1, 2024.

Purpose

To retain and attract semiconductor firms in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Incentive will not be used because the necessary facility investment will not occur during the forecast period of this study.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.4481 - Aluminum smelter credit for property taxes paid

Description

Direct service industrial customers may take a credit against the B&O tax for the amount of property taxes paid on aluminum smelters during a calendar year. The credit may be:

- Carried over for one year; and,
- Taken for property taxes paid after July 1, 2004, through calendar year 2026.

Purpose

Provide tax relief to the state's aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The revenue impact cannot be disclosed since fewer than three taxpayers benefit from this exemption.
- The full amount of credit is taken in Fiscal Year 2018 for taxes levied for collection in calendar 2018.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.4482 - Aluminum smelter purchases of electricity or natural gas

Description

Businesses selling electricity, natural gas, or manufactured gas are exempt from B&O tax on sales made to an aluminum smelter when the contract requires the seller to pass the tax savings on to the buyer in the form of reduced power prices. The seller takes the exemption in the form of a tax credit. Because most sellers of power are subject to public utility tax and not B&O, this tax incentive applies principally to sellers of brokered natural gas

Purpose

Preserve family-wage jobs in rural communities where unemployment rates are high, and sustain the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.4486 - Tax paid on carbonated beverage syrup

Description

Persons that pay the syrup tax when buying carbonated beverage syrup may claim a B&O tax credit if the person:

- Uses the syrup to make carbonated drinks; or,
- Sells the carbonated drinks.

The carbonated beverage syrup tax is $1.00 per gallon. The tax applies to syrup used in producing carbonated beverages that are not trademarked canned or bottled beverages.

Purpose

To provide tax relief for persons that mix carbonated beverages on-site.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.134	$4.441	$4.372	$4.305
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.070	$4.372	$4.305
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers paying carbonated beverage syrup tax have sufficient B&O tax liability to utilize the full amount of syrup tax paid.
- 11 months of collections in Fiscal Year 2021, the effective date is July 1, 2020.
- Growth in revenue based on previous five years B&O tax credits for carbonated beverage tax paid.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that prepare, sell carbonated beverages for consumption on-premises, firms manufacturing non-trademarked beverages
Taxpayer Count:	2,300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.4489 - Motion Picture Program contributions

Description

Businesses making contributions to the Washington motion picture competitiveness program may take a B&O tax credit equal to 100 percent of the contributions, with an annual cap of $750,000 for each contributor. The total, statewide credit cap is $3.5 million a year. No credit may be earned for contributions made after June 30, 2027.

Purpose

To support the motion picture industry and encourage production of motion pictures, television programs and commercials in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.500	$3.500	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.500	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The annual statewide credit cap has been reached each year during the existence of this credit, assume the annual statewide credit cap will continue to be met.
- Effective date is July 1, 2020, with full year impact due to credit allowed to be utilized entire year.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Motion picture companies
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.449 - Workforce training costs

Description

A B&O tax credit is allowed for half of the cost of customized workforce training paid by employers to the State Board for Community Colleges. No credit is allowed after June 30, 2021.

Purpose

Facilitates training of new employees for new or expanding businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.081	$0.081	$0.081	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.074	$0.081	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Due to variation in total credit reported each fiscal year, the future fiscal year impact is the average credit amount for the past five fiscal years and remains constant.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Certain employers for customized training
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O tax or PUT for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75 percent of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; is less than ten years past the original manufacturing date; is modified after the initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington State license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50 percent of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. The credit for infrastructure is limited to $2 million dollars annually.

On September 1 of each year, any unused credits from any category must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.650	$0.750	$0.870	$0.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.688	$0.870	$0.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Based on credit taken, annual growth is 15% and includes the alternative fuel infrastructure.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing commercial clean alternative fuel vehicles or converting used commercial vehicles principally powered by clean alternative fuel
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O tax or PUT for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75 percent of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than ten years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington State license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50 percent of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million dollars annually.

On September 1 of each year, any unused credits from any category must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Unable to separate the credit relating to alternative fuel vehicle infrastructure from the commercial vehicles. See RCW 82.04.4496(1) revenue details.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4498 - Hiring veterans

Description

This preference provides employers a B&O tax credit for hiring unemployed veterans. No business may claim a credit against both B&O tax and PUT for the same employee.

The credit equals 20 percent of wages and benefits paid up to a maximum of $1,500 for each qualified employee hired on or after October 1, 2016. No credit may be claimed until a qualified employee has been employed for at least two consecutive full calendar quarters.

The total statewide credit cap is $500,000 per fiscal year. Credits can be earned through June 30, 2022. No credits can be claimed after June 30, 2023.

Purpose

Encourage businesses to hire veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.163	$0.252	$0.390	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.231	$0.390	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers continue to learn about the credit and this increase the credit approved by 38 percent each year through Fiscal Year 2022.
- Taxpayers continue to take approximately 55 percent more credit each year through Fiscal Year 2022 and take the remaining credit in Fiscal Year 2023.

Data Sources

Department of Revenue excise tax credit data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Business that hire veterans and veterans
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.540(2) - Professional employer organization wages

Description

A professional employer organization (PEO) may deduct the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, and similar items paid to or on behalf of certain employees who are co-employed by the PEO and a client of the PEO.

Purpose

Excludes pass-through payroll expenses from B&O tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.549	$0.564	$0.579	$0.595
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, if the PEO can show wages and benefits are advances or reimbursements under WAC 458-20-111 then those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.517	$0.579	$0.595
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Deduction notes on excise tax returns referencing employee costs, wages, pass-through, or PEOs actually mean the taxpayer intends to take the PEO deduction.
- Certain types of PEOs would restructure and use the paymaster deduction (RCW 82.04.43393) or WAC 458-20-111. This estimate assumes 2 out of 3 PEOS restructure and use the paymaster deduction or WAC 458-20-111.
- Taxpayers using this preference are not subject to the Higher Education Surcharge.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2006
Primary Beneficiaries:	Professional employment organizations
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.545 - Electricity or gas sold to silicon smelters

Description

Persons subject to B&O tax are eligible to take a credit against the tax on the gross income from sales of electricity, natural gas or manufactured gas made to a silicon smelter. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The person taking the credit must specify in the contract of sale of electricity or gas to the silicon smelter that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit. The Department must provide a separate tax reporting line for the B&O tax credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on the Department's data, no taxpayers are taking this credit.
- A business is in the permitting process to build a silicon smelter facility in Pend Oreille County, completion date is unknown.

Data Sources

- Department of Ecology
- Pend Oreille Economic Development Council

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Utility companies selling electricity, and natural or manufactured gas to a silicon smelter
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.600 - Printing by counties, cities, school districts, and libraries

Description

Provides an exemption from B&O tax for printing done by libraries, counties, cities, towns, school districts, and educational service districts libraries where:

- Material is printed in the jurisdiction facility; and,
- Printing is used exclusively for jurisdiction purposes.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.081	$0.082	$0.083	$0.084
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.075	$0.083	$0.084
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

11 months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Institute of Museum and Library Services
- Washington State Office of the Superintendent of Public Instruction
- Washington State Secretary of State

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1979
Primary Beneficiaries:	Libraries, cities, counties, and school districts
Taxpayer Count:	730
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.601 - Cigarette stamping

Description

Reimbursement wholesalers and retailers receive from the state for affixing tax stamps on packages of cigarettes is exempt from B&O tax.

Purpose

Historically, cigarette wholesalers and retailers did not pay tax on such reimbursement. This exemption codified pre-existing practices.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.003	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Average annual stamping compensation of both regular and roll-your-own cigarettes total $700,000.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Cigarette wholesalers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.610 - Interstate commerce - Import and export shipments

Description

The sale of tangible personal property in import commerce does not receive an exemption from B&O tax. An exception is provided for wholesale sales of personal property in import commerce when:

- The wholesale sale is of unroasted coffee beans; or,
- The wholesale sale is between a parent company and a wholly-owned subsidiary.

The sale of tangible personal property in export commerce receives an exemption from B&O tax. The export exemption applies to items the seller delivers to a:

- Buyer in a foreign country;
- Carrier consigned to transport the item to a foreign country;
- Buyer at shipside if it is clear that the export process has commenced; or,
- Buyer in this state if the seller files an export declaration and the buyer immediately transports the item to a foreign country (except for motor vehicles).

Purpose

Codifies the Department's interpretation of imports and exports in the stream of commerce, as reflected in WAC 458-20-193C.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$29.224	$38.269	$47.932	$58.033
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, a repeal of this exemption and WAC 458-20-193C would likely result in litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$16.831	$29.681	$41.583
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Wholesalers in selected NAICS codes that have a greater chance of exporting were selected as a proxy for this analysis.
- Selected NAICS includes wholesalers of lumber products, and fish or seafood.
- Census data was used to estimate the exempted importing activity.
- Due to the volatility found from year to year, this estimate assumes three percent growth into the future.
- This estimate assumes taxpayers, when able, will move their delivery destination to keep their products in the federal stream of commerce. Therefore a low level of compliance is assumed.

82.04.610 - Interstate commerce - Import and export shipments

- Compliance:
  - 13 percent revenue collections in Fiscal Year 2021;
  - 26 percent revenue collections in Fiscal Year 2022;
  - 39 percent revenue collections in Fiscal Year 2023; and,
  - 52 percent revenue collections in Fiscal Year 2024 and thereafter.
- An effective date of July 1, 2020, results in 11 months of cash collections for Fiscal Year 2021.

Data Sources

- Employment Security data
- Department of Revenue data
- Federal business tax return statistics

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Firms that ship products across Washington's boundaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.615 - Public development authorities

Description	Public corporations, commissions and authorities receive an exemption from B&O tax for income from services provided to: - Limited liability companies in which the public entity is the managing member; - Limited partnerships in which the public entity is the general partner; or, - Single-asset entities required by a federal, state or local housing assistance program which is directly or indirectly controlled by the public entity.

Purpose

Assists housing authorities that receive federal grants for low-income housing.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference, and the revenue impacts cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public development authorities
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.620 - Prescription drug administration

Description

Physicians or clinics may deduct amounts received for the infusion or injection of drugs for human use pursuant to a prescription from the B&O tax. The deduction may not exceed the current federal reimbursement rate under Medicare. The injection must be covered or required under a health care program 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.925	$2.006	$2.090	$2.177
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.839	$2.090	$2.177
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Eleven months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Doctors, clinics and their patients
Taxpayer Count:	38
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.625 - Custom farm and farm management services

Description

Providers of custom farming services and farm management services are exempt from B&O tax if the provider performing the services is the owner or lessor of the land, or related to the owner or lessor. This exemption expires December 31, 2020.

Purpose

To provide tax relief to persons performing custom farm services for their relatives.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.025	$0.025	$0.025	$0.025
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.023	$0.025	$0.025
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Number of taxpayers benefiting from B&O exemption for custom farming services fluctuates from year to year.
- Over the last 3 Fiscal Years, average taxpayer savings was $8,400 per Fiscal Year.
- On average, 3 taxpayers claim the custom farming services exemption.
- No growth over time.
- July 1, 2020, effective date, with 11 months collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Persons that provide custom farm services for their relatives
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.627 - Commercial airplane parts

Description

The sale of parts to the manufacturer of a commercial airplane is deemed to take place at the site of final testing or inspection under federal aviation regulation part 21 subpart F or G.

The practical effect of this statute is that parts sold by Washington sellers for delivery to out of state locales are exempt from the state B&O tax so long as these criteria are met.

Purpose

To give incentives to commercial airplane manufacturers to locate and produce products in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.329	$0.351	$0.362	$0.364
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.322	$0.362	$0.364
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Manufacturers or suppliers of commercial airplane components
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Description

This is an exemption for a business and occupation (B&O) tax on wholesale sales made by an “eligible distributor” of commercial fertilizer, agricultural crop protection products, and seed, to an “eligible retailer.”

An "eligible distributor" means a wholesaler who purchases commercial fertilizer, agricultural crop protection products, and seed from the manufacturer and resells those products only to eligible retailers who are not affiliated persons and who have an ownership interest in the wholesaler.

“Eligible retailer” means a person engaged in the business of making retail sales of commercial fertilizer, agricultural crop protection products, and seed that also holds at least a five percent ownership interest in an entity that holds at least a fifty percent ownership interest in an eligible distributor.

“Affiliated persons” means persons who have any ownership interest, whether direct or indirect, in each other, or where any ownership interest, whether direct or indirect, in each of the persons by another person or by a group of other persons that are affiliated with respect to each other.

The exemption does not apply to other distributors.

This provision will not expire.

Purpose

The tax preference is intended to reduce structural inefficiencies in the tax structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Assumptions

Fewer than three taxpayers use this tax preference; impact cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Eligible wholesaler of fertilizer and agricultural crop protection products to eligible retailers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.635 - Legal services to low-income persons

Description

Income received by nonprofit organizations for providing legal services to low-income persons is exempt from B&O tax. The nonprofit must primarily be engaged in the provision of legal services to low-income individuals. Nonprofits are persons exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal internal revenue code.

Purpose

Testimony on this exemption indicates funding levels had decreased and the exemption would allow nonprofits to increase their level of service with little impact to state funds in light of increasing demand for services

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.434	$0.457	$0.482	$0.507
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.419	$0.482	$0.507
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate mirrors the B&O growth rate for the March 2019 forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2009
Primary Beneficiaries:	Law firms providing legal services to low-income persons
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.640 - Vaccine Association assessments

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayer's benefits from this preference; impact cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	The Association and indirectly, children of the state
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.645 - Financial institution affiliate income

Description

Financial institutions receive an exemption from B&O tax on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B).

Purpose

Encourages affiliate transactions involving banks.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues; however not all affiliate transactions would be taxable at full market value.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Information on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B) do not appear on state excise tax returns or financial institution federal reports.

Data Sources

- Instructions and form for Consolidated Report of Condition and Income reports
- Department of Revenue, Intercompany Transactions Report, 2012

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Banks with subsidiaries and/or affiliates
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.04.650 - Financial institution investment conduit or securitization entity income

Description

Investment conduits and securitization entities receive a B&O tax exemption for cash and securities.

Purpose

Avoids taxing the same revenue more than one time, and clarifies that the activities of investment conduits and securitization entities are not subject to taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$13.200	$14.000	$13.600	$13.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.800	$13.600	$13.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth assumed for the next five years.
- Assets are held for 33 percent of the year.
- The higher education surcharge is effective January 1, 2020. Taxpayer savings for Fiscal Year 2020 were adjusted to five months of collections.
- Taxpayers using this preference are subject to the Higher Education Surcharge and the additional B&O tax on Specified Financial Institutions.

Data Sources

- Securities information from the Securities Industry and Financial Markets Association
- Financial sector contributions to gross domestic product (GDP), from the Bureau of Economic Analysis
- Federal Home Loan Mortgage Corporation mortgage rates

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Real estate lenders and their customers
Taxpayer Count:	33
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.04.655 - Joint municipal utility authority

Description

Joint municipal utility services authorities are exempt from the B&O tax on any payments between, or any transfer of assets to or from, another joint municipality utility service authority and any of its members.

Purpose

Reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemptions; revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Joint municipal utility services authorities
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.660 - Environmental handling charges

Description

Environmental handling charges are exempt from B&O tax. RCW 70.275.020 defines environmental handling charges as the charge applied to each mercury-containing lights sold at retail in or into the State of Washington.

Purpose

The environmental handling charge is collected on retail sales of mercury-containing light sold in or into the state of Washington. The charge is designed to provide revenue to cover all administrative and operational costs associated with the stewardship program described in RCW 70.275.030.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.005	$0.004	$0.004	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.004	$0.004	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collection in Fiscal Year 2021.
- Sales of mercury-containing lights are declining annually by an average of 40 percent.
- Program is projected to phase out by Fiscal Year 2025 due to decrease in sales.

Data Sources

- LightRecycle Washington annual reports 2015 – 2018
- Department of Ecology, Washington State Mercury-Containing Lights Product Stewardship Plan

Additional Information

Additional Information	
Category:	Business & Occupation Tax
Year Enacted:	2015
Primary Beneficiaries:	Persons selling mercury-containing light bulbs
Taxpayer Count:	2,200
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.750 - Restaurant employee meals

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.254	$0.263	$0.272	$0.281
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.031	$0.035	$0.037
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Compliance rate of 13 percent for revenue collections in all Fiscal Year.

Data Sources

- U. S. Bureau of Labor Statistics
- May 2017 State Occupational Employment and Wage estimates
- Washington, Food Preparation and Serving Related Occupations, Occupation code 35-0000
- Washington State Economic and Revenue Forecast Council March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	19,327
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.755 - Nonprofit litter reduction grant income

Description

Grants received by local governments and nonprofit organizations from the waste reduction, recycling, and litter control account are exempt from business and occupation tax.

Purpose

To promote local and statewide education programs designed to help the public with litter control, waste reduction, recycling and composting.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.008	$0.008	$0.008	$0.008
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.008	$0.008
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual grant amount fluctuates based on the annual litter tax collected and distributed per RCW 70.93.180; annual distribution amount was set the same for each year.

Data Sources

Department of Ecology

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Nonprofit and local government entities
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.756 - Marijuana grown or marijuana products manufactured by a cooperative

Description

Beginning on July 1, 2016, cooperatives may be formed to grow marijuana and manufacture marijuana products. The state business and occupation tax does not apply to a cooperative's activities with respect to growing marijuana, or manufacturing marijuana concentrates, useable marijuana, or marijuana-infused products.

Purpose

Cooperatives are intended to provide small amounts of medical marijuana to members and may not sell product to members or others and there is no intent to tax this activity.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Since there is no way to determine future numbers and activities of cooperatives, this estimate is indeterminate.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Nonprofit, other organizations
Year Enacted:	2015
Primary Beneficiaries:	Cooperative medical marijuana growers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.765 - Architectural paint assessment (description updated June 2021)

Description

A fee is added to the purchase price of paint to fund the operation of the paint stewardship program. The program collects, transports and properly disposes leftover architectural paint. The fee is exempt from business and occupation tax.

Purpose

To fund the operation of the paint stewardship program for proper disposal of architectural paint.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.028	$0.050	$0.052
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.024	$0.050	$0.052
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Earliest fee assessment will begin December 1, 2020, resulting in 6 months impact in Fiscal Year 2021.
- Fee revenue will grow three percent annually.

Data Sources

Paintcare.org, Colorado and Oregon annual reports

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	Businesses and consumers who need to dispose of architectural paint properly
Taxpayer Count:	900
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.045(4) - Minimum to file excise tax return

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 or any other tax or fee which the Department is authorized to collect.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. In its absence, taxpayers would have to file returns but still would have no B&O tax liability due to the small business credit.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The tax savings of this tax preference are included under the impacts of the small business credit (RCW 82.04.4451).

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Small businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.32.055 - Active duty military penalty waiver

Description

Business owners in the military may request a waiver of interest and penalties for late payment of excise taxes if they are:
- On active duty;
- In an armed conflict; or,
- Assigned to a location outside of the U.S.

Purpose

Provides economic relief to families of active duty service members.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are fewer than three taxpayers that benefit from this preference each year, and the impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Business owners that are active duty military
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.531 – Trade convention attendance/nexus

Description

When determining substantial nexus with Washington State for the purpose of the B&O tax and the retail sales and use taxes, the Department of Revenue may not consider the mere attendance of a business at a single trade convention per year in Washington when determining if a business is physically present. This exclusion does not apply if the business makes retail sales at the trade convention.

Purpose

To encourage participation in Washington trade conventions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Due to the highly specific criteria and broad range of businesses it may apply to, the revenue impacts for this estimate are indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2016
Primary Beneficiaries:	Out of state businesses which attend one trade show per year
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Description

A B&O tax credit is available for each new employment position created by a business located in a rural county engaged in the following activities:

- Manufacturing;
- Computer-related programming and services performed by a manufacturer;
- Research and development; or,
- Commercial testing laboratories.

A rural county has an average population density of fewer than 100 persons per square mile or is smaller than 225 square miles. The credit is equal to:

- $2,000 for each new qualified employment position with wages and benefits below $40,000; or,
- $4,000 for each new qualified employment position with wages and benefits above $40,000.

The total statewide credit cap is $7.5 million per fiscal year.

Purpose

Encourages businesses to expand in rural counties.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.300	$1.300	$1.300	$1.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.192	$1.300	$1.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Estimate of future revenue impacts are based on credits used rather than credits approved.

Data Sources

Department of Revenue excise tax data

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Manufacturing, R&D, and computer service firms in rural areas
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or public utility tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure;
- Limited to $60 per employee per year; and,
- Limited to $100,000 each fiscal year.

The program has an annual cap of $2.75 million for both B&O and public utility tax credits, and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.640	$2.640	$2.640	$2.640
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.420	$2.640	$2.640
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Maximum total program credit allowed per year is $2,750,000 combined between the business and occupation and public utility taxes.
- Estimate is for the business and occupation tax portion only.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue credit data

82.70.020 - Commute trip reduction credit

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting options
Taxpayer Count:	500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.73.030 - Commercial area revitalization contributions (main street program)

Description

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial business and occupation tax credit or public utility tax credit.

The credit is either:

- 75 percent of the approved contributions made to a Main Street Program; or,
- 50 percent of the approved contributions to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $2.5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.940	$1.940	$1.940	$1.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.780	$1.940	$1.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date results in 11 months of cash collections for Fiscal Year 2021.
- Annual combined credit reported under B&O and PUT tax is capped at $2.5 million.
- Approximately 77 percent of the annual credit is taken against B&O tax with the rest against PUT, this ratio remains constant for future years.
- Estimate reflects the B&O tax credits.

Data Sources

Department of Revenue excise tax returns

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses that participate in commercial area revitalization
Taxpayer Count:	270
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

Chapter 3
Brokered Natural Gas

82.12.022(3) - Natural and manufactured gas not delivered by pipeline

Description

Natural or manufactured gas delivered to customers by other means than through a pipeline is not subject to brokered natural gas use tax.

Purpose

This statute was enacted to clarify the application of this tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, natural gas is only delivered via pipeline.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1994
Primary Beneficiaries:	Customers that receive natural gas via other means
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.12.022(4) - Natural gas subject to public utility tax

Description

Gas is not subject to the brokered natural gas use tax if the seller previously paid public utility tax with respect to the same gas.

Purpose

This exemption eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, and is the reason that the brokered natural gas tax is in place.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$21.461	$21.843	$22.283	$22.727
Local Taxes	$8.793	$8.950	$9.130	$9.312

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$20.023	$22.283	$22.727
Local Taxes	$0.000	$8.204	$9.130	$9.312

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via brokers
Taxpayer Count:	317
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.12.022(5) - Aluminum smelter purchases of natural gas

Description

Brokered natural gas use tax does not apply to the use of natural or manufactured gas by an aluminum smelter. This exemption expires on January 1, 2027.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers benefit from this exemption, so revenue impact may not be disclosed.

Data Sources

Information from the latest JLARC study

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.12.022(7) - Silicon smelter use of natural or manufactured gas

Description

Brokered natural gas use tax does not apply to the use of natural or manufactured gas by silicon smelter.

This tax preference expires on July 1, 2027. If smelters do not meet employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Silicon smelter facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.022(8) - Taxes paid in other states for natural gas

Description

There is a credit against the natural gas use tax equal to any tax paid by:
- The seller, if the tax paid by the seller to another state is similar to Washington's public utility tax; or
- The consumer, if the tax paid by the consumer to another state is similar to Washington's natural gas use tax.

Purpose

To eliminate double taxation of the same fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on Department data, no taxpayers are currently taking this credit.
- No taxpayers will take the credit during the next four years.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via brokers with gas delivered from other states
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.024 - Deferral for direct service industries (DSIs)

Description

This statute allows a deferral of brokered natural gas tax for a direct service industry firm (DSI's) 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 is not repaid if the firm continues production and their employment levels do not drop below base period levels.

Purpose

To encourage direct service industry firms to continue manufacturing in Washington after existing power contracts with Bonneville Power Administration expire by building their own natural gas powered electric generating facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on Department data, no taxpayers are currently taking this deferral.
- No taxpayers will take the deferral during the next four years.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms constructing new power plants
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

Chapter 4
Cigarette, Tobacco and Vapor Products

43.06.510, 43.06.515 - Vapor products covered by tribal contracts

Description

RCW 43.06.450 authorizes the governor to enter into contracts with Indian tribes concerning the sale of vapor products. The state vapor products tax does not apply to vapor products sold by an Indian retailer during the effective period of a vapor products tax contract.

Purpose

To provide a means to promote economic development, provide needed revenues for tribal governments, and enhance enforcement of the state's vapor products tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this exemption would not increase revenue.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Tribal governments
Taxpayer Count:	Not applicable
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0318, 82.12.0318 - Vapor products, tribal contracts

Description

RCW 43.06.450 authorizes the governor to enter into contracts with Indian tribes concerning the sale of vapor products. Retail sales and use taxes do not apply to sales of vapor products by an Indian retailer during the effective period of a vapor products tax contract.

Purpose

To provide a means to promote economic development, provide needed revenues for tribal governments, and enhance enforcement of the state's vapor products tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this exemption would not increase revenue.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Tribal governments
Taxpayer Count:	Not applicable
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.24.260(1)(b); 82.24.290 - Cigarettes for military personnel

Description

The cigarette tax does not apply to cigarettes sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose

Federal legislation, the Buck Act (4 U.S.C.§ 107), implicitly prohibits states from imposing a cigarette tax upon members of the military and their dependents

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$40.800	$40.800	$40.800	$40.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because federal law prohibits states from taxing tobacco products bought by members of the military and their dependents.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Annual military consumption of 13.5 million packs of cigarettes.
- Cigarette tax is $3.025 per pack.

Data Sources

- Department of Revenue
- Departments of Defense and Veterans Affairs

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1940
Primary Beneficiaries:	Military personnel and their dependents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.24.260(1)(c) - Cigarette allotment for Tribes

Description

Certain quantities of untaxed cigarettes are allowed tax-free for consumption by tribal members on the reservations in Washington. The number of untaxed cigarettes is based on the number of enrolled tribal members living on the reservation and the national average per capita consumption rate. Note: the application of cigarette allotments has largely been replaced by contracts between the state and most Indian tribes regarding the regulation and taxation of cigarettes sold in Indian country.

Purpose

The U. S. Supreme Court has ruled that states do not have the authority to impose a cigarette tax upon enrolled tribal members living upon their own reservations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.400	$0.400	$0.400	$0.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Net annual allotment (non-compact) of fewer than 1 million packs of cigarettes.

Data Sources

Department of Revenue cigarette tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1975
Primary Beneficiaries:	Enrolled members of tribes living on reservations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.24.295(1) - Cigarettes covered by tribal contracts

Description

The cigarette tax does not apply to the sale, use, consumption, handling, possession, or distribution of cigarettes by Indian retailers if their tribes have entered into a cigarette tax contract with the state of Washington pursuant to RCW 43.06.455.

Purpose

To provide consistency in the regulation and taxation of cigarettes in Indian country.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$109.500	$109.500	$109.500	$109.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Cigarette tax is $3.025 per pack.
- About 36 million packs of cigarettes are sold annually by tribal sellers with contracts.

Data Sources

Department of Revenue tribal cigarette sales data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2001
Primary Beneficiaries:	Tribal governments
Taxpayer Count:	Not applicable
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.25.025 - Constitutional or Federal prohibition on vapor products

Description

The vapor products tax does not apply to vapor products sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose

To be consistent with the federal legislation, the Buck Act (4 U.S.C.§ 107), which prohibits states from imposing a cigarette tax upon members of the military and their dependents.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.308	$0.578	$0.703	$0.838
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. Federal law prohibits states from taxing tobacco products bought by military members and their dependents. It is likely that such law will apply to vapor products.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Military consumption of vapor products is about 5% of the state's total.

Data Sources

- Department of Revenue
- Departments of Defense and Veterans Affairs

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Military personnel and their dependents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.25.105 - Vapor products sold out of state or to Indian Tribes

Description

In-state wholesalers of vapor products can obtain a tax credit for sales out of state or to Indian tribes.

Purpose

To be consistent with the tax treatment of other tobacco products. Historically, the Department has not required wholesalers to collect and remit other tobacco products tax on sales to out of state or to Indian tribes, but the treatment of these sales was not clear. An exemption codified existing practice in response to statutory changes and recently settled lawsuits.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.418	$0.786	$0.956	$1.138
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Sale of vapor products to out-of-state and tribes is equivalent to 7% of total taxable activity.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Wholesalers of vapor products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.26.040 - Constitutional or Federal prohibition on tobacco products

Description

The tobacco products tax does not apply to any tobacco products (cigars, pipe tobacco, etc.) which under the Constitution and laws of the U. S. the state may not tax. This has been interpreted under the Buck Act (4 U.S.C.§ 107) to prohibit taxing tobacco products sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose

Federal legislation prohibits states from imposing a tax on tobacco products purchased by members of the military and their dependents.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.900	$2.900	$2.900	$2.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because federal law prohibits states from taxing tobacco products bought by members of the military and their dependents.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Military personnel and their dependents make up 5.2 percent of the state population.
- Other tobacco products tax revenue averages $57 million annually.

Data Sources

- Department of Revenue
- Departments of Defense and Veterans Affairs

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1959
Primary Beneficiaries:	Military personnel and dependents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.26.110 - Tobacco products sold out of state or to Indian Tribes

Description

In-state wholesalers of tobacco products can obtain a tax credit for sales to tribal and federal entities.

Purpose

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. This exemption codified existing practice in response to statutory changes and recently settled lawsuits.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$84.000	$84.000	$84.000	$84.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. Federal and tribal entities are exempt from the tax and they could acquire their own storage facilities and easily buy from out-of-state wholesalers.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Average credit will be $84 million a year.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1959
Primary Beneficiaries:	Wholesalers of tobacco products
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 5
Enhanced Food Fish

82.27.010(1) - Tuna, mackerel & jack

Description

Tuna, mackerel and jack fish are exempt from the enhanced food fish tax.

Purpose

The enhanced food fish tax helps support continued production of game fish in the state. State fish hatchery programs do not raise tuna, mackerel and jack fish and these fish are exempt from the tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.502	$0.502	$0.502	$0.502
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.460	$0.502	$0.502
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Revenues will be the same each year due to the volatility of fish harvests.
- July 1, 2020 effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

National Oceanic and Atmospheric Administration

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Tuna, mackerel, and jack fish harvesters
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.27.020(2) - Deduction of one-half of fish tax

Description

The enhanced food fish tax is due on the first commercial possession in Washington of qualified fish based upon fair market value. A deduction is allowed from the purchase price paid for fish subject to the enhanced food fish tax equal to one half the tax rate based upon the purchase price paid by the purchaser.

Purpose

To promote the commercial enhanced food fish industry in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, but would increase the cost to consumers.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Deduction does not reduce fish tax liability.
- Allows the purchaser to share one half of the liability with the person who caught the fish.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1980
Primary Beneficiaries:	Fish tax taxpayers
Taxpayer Count:	175
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.27.020(4) - Fish tax differential rates

Description

The tax on enhanced food fish tax (including a 7 percent surtax) has different rates depending on the species of fish or shellfish, and where the fish are caught:

- Puget Sound Chinook, Coho and chum salmon and anadromous game fish, 5.62 percent;
- Ocean Waters, Columbia River, Willapa Bay, and Grays Harbor Chinook, Coho, chum salmon and anadromous game fish, 6.69 percent;
- Pink and sockeye salmon, 3.37 percent;
- Sea urchins and sea cucumbers, 2.25 percent;
- Oysters, 0.09 percent; and
- All other food fish and shellfish, 2.25 percent.

Purpose

Reflects market conditions for various types of fish.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.130	$5.130	$5.130	$5.130
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing the preferential rates would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.703	$5.130	$5.130
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Estimate increases all lower tax rates up to 6.69 percent.
- Fish tax amounts will be the same each year due to the volatility of this tax.
- Effective July 1, 2020, with 11 months of cash collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1980
Primary Beneficiaries:	Certain fish and shellfish harvesters
Taxpayer Count:	165
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.27.030(1,3) - Imported frozen or packaged fish

Description

Enhanced food fish tax exemptions are provided for:

- Enhanced food fish originating outside of Washington that enters the state either frozen or packaged for retail sale; and
- Food fish, shellfish, anadromous game fish, and by-products or parts of food fish shipped from outside of the state into Washington.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.968	$6.968	$6.968	$6.968
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, eliminating the exemption might trigger a Commerce Clause or Import-Export Clause challenge.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.387	$6.968	$6.968
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Revenues will remain the same each year due to volatility in fish tax collections.
- Eleven months of cash collections impact for Fiscal Year 2021 due to the July 1, 2022 effective date.

Data Sources

- Department of Revenue excise tax data
- Michigan State University https://globaledge.msu.edu/states/washington/tradestats

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1980
Primary Beneficiaries:	Fish processors, wholesalers, or retailers
Taxpayer Count:	470
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.27.030(2) - Commercially grown fish & shellfish

Description	There is an enhanced food fish tax exemption for food fish and shellfish raised from eggs and grown by agricultural methods.
Purpose	The tax is not intended to apply to commercially produced fish and shellfish.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.315	$1.315	$1.315	$1.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.206	$1.315	$1.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Atlantic salmon no longer raised through agricultural methods in Washington State.
- No forecasted growth in revenues due to the volatile nature of fish tax collections.
- Effective July 1, 2020, with 11 months of cash collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- University of Washington https://wsg.washington.edu/wordpress/wp-content/uploads/Shellfish-Aquaculture-Washington-State.pdf
- National Oceanic and Atmospheric Administration https://www.nass.usda.gov/Publications/AgCensus/2012/Online_Resources/Aquaculture/aqua_1_013_013.pdf

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1980
Primary Beneficiaries:	Fish farms
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.27.040 - Taxes paid in other states

Description

An enhanced food fish tax credit is allowed for any fish tax previously paid on that same enhanced food fish to any other legally established taxing authority.

Purpose

To eliminate double taxation on the same fish.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.330	$0.330	$0.330	$0.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.302	$0.330	$0.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No forecasted growth in revenues due to volatile nature of fish tax collections.
- Eleven months of cash collections impact Fiscal Year 2021 due to a July 1, 2020, effective date.

Data Sources

Department or Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1980
Primary Beneficiaries:	Fish harvesters
Taxpayer Count:	31
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

Chapter 6
Estate Tax

83.100.020(1) - Estate tax threshold

Description

Through Calendar Year 2013, $2 million is excluded from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. For estates of decedents dying in Calendar Year 2019, the exclusion amount is $2,193,000.

Purpose

Moderate value estates are not subject to the tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2,151.300	$2,233.900	$2,322.800	$2,415.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$653.400	$943.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No exclusion for deaths occurring on or after January 1, 2021.
- All payments are made timely at the 9-month due date.
- First payments would be due on October 1, 2021, which will result in 9 months of impact in Fiscal Year 2022.
- Approximately 59,000 deaths in Washington in 2020, increasing to almost 63,000 deaths in 2023.
- Percent of deaths by age based on Washington life expectancy data.
- Washington's average net worth is 127 percent of national average net worth.
- Approximately 40 percent of estates go through probate.
- For probated estates, a high compliance factor is used:
  - 90 percent revenue collections in Fiscal Year 2022; and,
  - 95 percent revenue collections in Fiscal Year 2023 and thereafter.
- For non-probated estates, a compliance factor of 5 percent is used for all years.

Data Sources

- Office of Financial Management, November 2018 forecast of the state population by age and sex, 2010-2040
- Washington Life Expectancy, Washington causes of death by age and gender
- U.S. Census Bureau wealth and marital data
- Consumer Price Index (CPI), Real Income, Seattle CPI, Percent Change

83.100.020(1) - Estate tax threshold

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005; exclusion increases, 2013
Primary Beneficiaries:	Individuals who receive benefits from the estate
Taxpayer Count:	54,000 to 60,000 per year
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

83.100.046 - Farm property

Description	Estates deduct the value of qualified real and personal property used primarily for farming from their taxable estate.
Purpose	Ensures surviving family members do not need to sell farm assets to pay estate taxes. However, heirs taking this exemption are not required to continue farming.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.000	$3.000	$3.000	$3.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$2.300	$3.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Legislation repeals the farm deduction for deaths occurring on or after January 1, 2021.
- All payments are made timely at the 9-month due date.
- First payments due October 1, 2021, resulting in 9 months of impact in Fiscal Year 2022.
- Average of 15 estates per year take the farm deduction.
- Average tax savings per estate is $200,000.

Data Sources

Department of Revenue estate tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2005
Primary Beneficiaries:	Estates with farm assets
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

83.100.047 - Marital deduction

Description

The decedent's estate may deduct the value of property passed to a surviving spouse or state registered domestic partner for:

- Property passing outright; and
- Property providing an income interest for the life of the surviving spouse or domestic partner when the proper election is made.

Purpose

Postpones exposure to estate tax for assets passed to a surviving spouse until the surviving spouse's death.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$205.000	$205.000	$205.000	$205.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$153.750	$205.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Marital deduction not allowed for deaths occurring on or after January 1, 2021.
- All payments are made timely at the 9-month due date.
- First payments due October 1, 2021, resulting in 9 months of impact in Fiscal Year 2022.
- Average of 410 estates per year take the marital deduction.
- Average tax savings per estate is $500,000.

Data Sources

Department of Revenue estate tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2005
Primary Beneficiaries:	Surviving spouses
Taxpayer Count:	410 per year
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

83.100.048 - Family-owned business interest

Description

Estates may deduct qualified family-owned business interests from their taxable estate if certain conditions are met, including:

- Value of the qualified family-owned business interests exceed 50 percent of the Washington taxable estate;
- Value of the qualified family-owned business interests is not more than $6 million; and
- There is material participation related to the operation of the business both prior to, and after, the decedent's death.

The deduction is limited to $2.5 million, and applies only to decedents dying on or after January 1, 2014.

Purpose

Ensures surviving family members do not need to sell family-owned business assets to pay estate taxes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.680	$1.680	$1.680	$1.680
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$1.300	$1.680
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Qualified family-owned business interest deduction not allowed for deaths occurring on or after January 1, 2021.
- All payments are made at the 9-month due date.
- First payments due October 1, 2021, resulting in 9 months impact in Fiscal Year 2022.
- Average of seven estates per year take family-owned business interest deduction.
- The average tax savings is $240,000 per estate.

Data Sources

Department of Revenue estate tax data

83.100.048 - Family-owned business interest

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2013
Primary Beneficiaries:	Estates containing family-owned business assets
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

Chapter 7
Fuel Tax

35.58.560 - Refund of motor vehicle fuel taxes for METRO

Description

Metropolitan municipal corporations may take an offset against gross revenue subject to any state tax for expenditures made from such gross revenue for planning or performing public transportation.

Purpose

To support public transportation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fuel tax data for this exemption is not separately identified by Department of Licensing.
- Included under the exemption for fuel for urban passenger transportation systems, RCW 82.38.080 and 82.38.180.

Data Sources

Department of Licensing data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Metro transit systems and their patrons
Taxpayer Count:	Fewer than three taxpayers
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))
JLARC Review:	JLARC completed an expedited report in 2010

82.38.030(9)(e); 82.38.032 - Fuel previously taxed

Description

Fuel sold or removed in the state to an unlicensed entity is exempt from fuel taxes if there was a prior taxable removal, entry, or sale of the fuel. International fuel tax agreement licensees or persons operating motor vehicles under other reciprocity agreements are exempt from fuel tax if the tax has been previously imposed and paid.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are fewer than three taxpayers that could take this exemption, so the revenue impact is confidential.

Data Sources

Washington State Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	International fuel tax agreement licensees
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.38.080 - Other special fuel tax exemptions

Description

The sales of special fuel (i.e., fuel other than gasoline) to publicly or privately owned urban transportation systems are generally exempt from the special fuel tax.

Additionally, sales of fuel for the following uses are exempt from special fuel tax:

- Street and highway construction and maintenance in state, county, or municipality-owned and operated motor vehicles;
- Publicly owned firefighting equipment;
- Vehicles not designed or used primarily for transporting people or property (e.g., road construction machinery, self-propelled cranes, etc.);
- Certain motor vehicle power take-off equipment;
- U.S. government-owned motor vehicles;
- Heating purposes;
- Moving between two pieces of private property a motor vehicle on a public highway;
- Transportation services for persons with special needs by a private nonprofit transportation provider;
- Equipment such as mixing units or refrigeration units powered by motors separate from vehicle fuel tanks;
- Operation of a motor vehicle as a part of a logging operation upon a federal highway within a federal area if the vehicle's use of the highway is subject to a fee related to federal roads or highways; and
- Waste vegetable oil used to manufacture biodiesel.

The removal or entry of special fuel is exempt from special fuel tax if the fuel is dyed special fuel; if the persons involved are licensed; or if it shipped to a point outside Washington.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.975	$2.018	$2.034	$2.044
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

82.38.080 - Other special fuel tax exemptions

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.850	$2.034	$2.044
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for special fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1971
Primary Beneficiaries:	Special fuel tax users not covered under other exemptions
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.38.080(1a-c) - Government and public uses

Description

The following sales of special fuel are exempt from the fuel tax:

- Sales to the state of Washington, any county, or any municipality when the fuel is used for street and highway construction and maintenance purposes in motor vehicles owned and operated by the jurisdiction;
- Sales for use in publicly owned firefighting equipment; and
- Sales to the United States government.

Purpose

Lowers the costs of government and public services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.414	$5.534	$5.577	$5.604
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.073	$5.577	$5.604
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for special fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1971
Primary Beneficiaries:	Federal, state, and local government agencies
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.38.080(1d); 82.38.180(3a) - Special needs transportation

Description

Private, nonprofit organizations that provide transportation services for persons with special transportation needs are exempt from the motor vehicle fuel and special fuel taxes.

Purpose

Supports transportation programs for the elderly and handicapped.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.509	$0.520	$0.524	$0.526
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.476	$0.524	$0.526
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for special fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1983
Primary Beneficiaries:	Transportation providers for persons with special needs
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.38.080(1e) - Waste vegetable oil biodiesel

Description

Waste vegetable oil used to manufacture biodiesel is exempt from the special fuel tax.

Purpose

To promote the manufacturing of alternative fuels and to lower their cost.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayer savings and additional revenue recognized upon repeal are indeterminate.
- Department of Licensing data does not show any taxpayer using this exemption.

Data Sources

Department of Licensing

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Biodiesel fuel manufacturers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.38.080(1f,g); 82.38.180(3b) - Urban transportation

Description

Fuel sold to publicly and privately owned urban passenger transportation systems is exempt from the special fuel tax.

Purpose

To lower the operating costs of public transportation systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.344	$6.484	$6.534	$6.566
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.944	$6.534	$6.566
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for special fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1957
Primary Beneficiaries:	Urban transportation systems
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.38.080(2)(a) - Fuel sold to the military

Description

Sales of fuel to the armed forces of the United States or the national guard are exempt from the special fuel tax if the fuel is:

- Used exclusively in ships; or
- Exported from Washington.

Purpose

Encourages the purchase of fuel in Washington and saves the armed forces the administrative burden of applying for a fuel tax refund for the amount used in ships.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.078	$0.079	$0.079	$0.080
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.072	$0.079	$0.080
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for fuel tax collections in the March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1933
Primary Beneficiaries:	United States Military
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.38.080(2)(b) - Fuel sold to foreign governments

Description

Fuel sold to foreign diplomatic and consular missions are exempt from the special fuel taxes if the foreign government represented grants an equivalent exemption to missions and personnel of the United States performing similar services in the foreign country.

Purpose

To maintain good foreign relations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.010	$0.010	$0.010	$0.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.009	$0.010	$0.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for fuel tax collections in the March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 for a July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Foreign governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.38.080(2)(c) - Racing fuel

Description

Sales of fuel used exclusively for racing that is not legally allowed on the public highways of this state is exempt from the special fuel tax.

Purpose

To recognize fuel tax receipts can only be used for highway purposes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.001	$0.001	$0.001	$0.001
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.001	$0.001	$0.001
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth assumed due to the volatile nature of collections.
- 11 months of cash collections impact for Fiscal Year 2021 for a July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1998
Primary Beneficiaries:	Automobile racetracks and racing teams
Taxpayer Count:	141
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.38.180(1)(a) - Nonhighway fuel use

Description

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel purchased for purposes other than propulsion of motor vehicles upon highways of this state. A refund may not be made for fuel consumed by a motor vehicle required to be registered under 46.16A RCW.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.755	$3.792	$3.820	$3.848
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.476	$3.820	$3.848
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1923
Primary Beneficiaries:	Users of fuel for off public road purposes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report 2007

82.38.180(1)(b) - Exported fuel refunds

Description

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel exported for use outside this state. This does not include fuel distributed to a federally recognized Indian tribal reservation within Washington.

Purpose

To impose fuel tax only on fuel used on Washington's public highways.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.414	$4.458	$4.491	$4.523
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.086	$4.491	$4.523
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1923
Primary Beneficiaries:	Fuel exporters
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

82.38.180(1d,e); 82.38.180(2d) - Lost or destroyed fuel

Description

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel which is lost or destroyed through fire, lightening, flood, wind storm, or explosion. A tax refund is also available for losses of 500 gallons or more through leakage or other casualty except evaporation, shrinkage, or other unknown causes.

A refund may be requested for special fuel taxes paid on fuel inadvertently mixed with dyed special fuel.

Purpose

To impose fuel tax only on fuel used on Washington's public highways.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.783	$0.800	$0.806	$0.810
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.733	$0.806	$0.810
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for special fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for FY 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1923
Primary Beneficiaries:	Persons who lost fuel or had fuel destroyed
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

82.38.180(1)(f) - Power pumping unit

Description

The motor vehicle or special fuel tax may be refunded for tax paid on fuel used in power pumping units or other power take-off equipment of any motor vehicle which is accurately measured by metering devices that have been specifically approved by the Department of Licensing or by a formula determined by the Department of Licensing.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.321	$3.354	$3.379	$3.403
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.075	$3.379	$3.403
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Estimate does not include use tax deducted from refunded amounts, use tax adjustment would remain and not impact the net change.
- Growth rate is same as growth rate for fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for Fiscal Year 2021 due to the July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Persons that use power pumping equipment
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.38.180(2)(a) - Logging operations using federally owned roads

Description	The special fuel tax may be refunded for tax paid on fuel used for the operation of a motor vehicle as a part of or incidental to logging operations on a highway under federal jurisdiction within the boundaries of a federal area if: - The federal government requires a fee for the privilege of operating the motor vehicle upon the highway; or - The proceeds are reserved for constructing or maintaining roads in the federal area.
Purpose	To lower the cost of logging operations on federal land.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.040	$1.063	$1.072	$1.077
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.975	$1.072	$1.077
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for special fuel tax collections in March 2019 fuel tax forecast.
- July 1, 2020 effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Logging companies and log haulers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.38.180(2)(b) - Special mobile equipment

Description

The special fuel tax may be refunded on tax paid on fuel used by special mobile equipment as defined in RCW 46.04.552.

Purpose

Fuel tax receipts can only be used for highway purposes under the 18th Amendment to the state constitution. The refund helps to assure that the tax applies only to fuel used on public highways.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Amounts for this exemption are included with exemption for non-highway fuel use, RCW 82.38.180(1a).

Data Sources

Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1971
Primary Beneficiaries:	Persons using special mobile equipment
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.38.180(2)(c) - Incidental use of public highway

Description

The special fuel tax paid on fuel may be refunded for fuel in a motor vehicle used for movement between two pieces of private property where the movement is incidental to the primary use of the vehicle.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Amounts for this exemption are included with exemption for non-highway fuel use, RCW 82.38.180(1a).

Data Sources

Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	General public
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.42.020 - Fuel previously taxed

Description

The aircraft fuel tax is collected and paid to the state only once for the same fuel. Sales of aircraft fuel on which the tax was previously paid are deductible from the total tax due.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption is not tracked separately by Department of Licensing.

Data Sources

Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Aviators
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.42.030(1,2) - Imported and exported fuel

Description

Aircraft fuel sold for export and exported from Washington and fuel imported into this state intended for use in foreign or interstate commerce is exempt from the aircraft fuel tax.

Purpose

To encourage the sale of aircraft fuel in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$62.351	$62.654	$63.229	$64.119
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$57.433	$63.229	$64.119
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for aircraft fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for FY 2021 due to July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Fuel importers and exporters
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.42.030(3) - Aircraft fuel sold to federal government

Description

Aircraft fuel sold to the federal government is exempt from the aircraft fuel tax.

Purpose

To lower the cost of government.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.557	$8.599	$8.677	$8.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.882	$8.677	$8.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for aircraft fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for FY 2021 due to July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1971
Primary Beneficiaries:	Federal government
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.42.030(4,5) - Commercial air operations

Description

The aircraft fuel tax does not apply to fuel used by commercial air carriers, supplemental carriers licensed under a certificate of public convenience, or a local service commuter if the fuel is delivered directly into the aircraft fuel tanks.

Purpose

To lower the cost of air carrier operations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$47.431	$47.661	$48.099	$48.776
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$43.690	$48.099	$48.776
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for aircraft fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for FY 2021 due to July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Commercial air carriers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.42.030(6) - Emergency air transportation

Description

Aircraft fuel sold to emergency medical air transport service providers is exempt from the aircraft fuel tax.

Purpose

Lowers the cost of providing emergency medical air transport services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.114	$0.115	$0.116	$0.117
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.105	$0.116	$0.117
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is the same as rate for aircraft fuel tax collections in March 2019 fuel tax forecast.
- July 1, 2020 effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Medical air transport service providers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.42.030(7) - Fuel sold to licensed distributors

Description

Aircraft fuel sold to a licensed aircraft fuel distributor is exempt from the aircraft fuel tax.

Purpose

To avoid double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. RCW 82.42.020 states, "The taxes imposed by this chapter must be collected and paid to the state but once in respect to any aircraft fuel." Without this exemption, taxes would be collected, then refunded.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption is not tracked separately by Department of Licensing.

Data Sources

Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Aircraft fuel distributors
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.42.030(8) - Fuel delivered into certified bulk storage tanks

Description

Aircraft fuel delivered into the bulk storage tank of a certified user is exempt from the aircraft fuel tax.

Purpose

To lower the cost of operations for commercial air carriers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$21.960	$22.067	$22.270	$22.583
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$20.228	$22.270	$22.583
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is same as growth rate for aircraft fuel tax collections in March 2019 fuel tax forecast.
- 11 months of cash collections impact for FY 2021 due to July 1, 2020 effective date.

Data Sources

- Transportation Revenue Forecast Council's March 2019 forecast
- Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Certified users of aviation fuel
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.42.030(9,10) - Aircraft testing or crew training

Description

The aircraft fuel tax does not apply for fuel used in aircraft utilized for:

- Testing or experimental purposes, or
- Training of crews of certified air carriers in Washington.

Purpose

To lower operating costs of developing new aircraft and for training crews of certified air carriers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Amounts for this exemption are included with the amounts for sales of aviation fuel used by commercial air carriers, RCW 82.42.030 (4)(5).

Data Sources

Department of Licensing fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Persons who train commercial pilots or use aircraft in testing or experimental purposes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.42.230(1) - Crop dusting

Description

A refund is available for aircraft fuel tax paid on fuel consumed in aircraft principally used for spraying crops if the aircraft operates from a private, non-state funded airfield during at least 95 percent of the aircraft's normal use.

Purpose

To lower the tax burden on agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayer savings are unknown due to a lack of specific data from Department of Licensing, amount is likely minimal.

Data Sources

Department of Licensing

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1982
Primary Beneficiaries:	Unknown
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

Chapter 8
Hazardous Substance Tax

82.21.040(1) - Successive uses of hazardous substance

Description

Any successive possession of a previously taxed hazardous substance is exempt from the hazardous substance tax.

Purpose

To avoid double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$361.383	$375.612	$387.052	$398.518
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$300.922	$368.182	$379.087
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The volume of HST taxable petroleum products in Washington is based on information from Washington Research Council and Energy Information Administration (EIA).
- The forecasted percentage change for the implicit price deflator for non-residential structures is as follows:
  - Fiscal Year 2021 percentage change of 2.8 percent
  - Fiscal Year 2022 percentage change of 3.0 percent
  - Fiscal Year 2023 percentage change of 3.0 percent
  - Fiscal Year 2024 percentage change of 2.9 percent
  - Fiscal Year 2025 percentage change of 2.9 percent
- The tax rates for petroleum products are as follows:
  - Fiscal Year 2020 tax rate of $1.09 per barrel
  - Fiscal Year 2021 tax rate of $1.12 per barrel
  - Fiscal Year 2022 tax rate of $1.15 per barrel
  - Fiscal Year 2023 tax rate of $1.19 per barrel
  - Fiscal Year 2024 tax rate of $1.22 per barrel
  - Fiscal Year 2025 tax rate of $1.26 per barrel
- Approximately 4.8 percent of current law HST collections are for non-petroleum based products.
- Requirement that $50 million per biennium be distributed into the motor vehicle fund has already been met.
- July 1, 2020, effective date and 11 months of cash collections in Fiscal Year 2021.

82.21.040(1) - Successive uses of hazardous substance

Data Sources

- U.S. Energy Information Administration
- IHS Market's March 2019 Forecast
- Department of Revenue excise tax data
- U.S. Energy Information Administration, Prime Supplier Sales Volumes of petroleum products, annual series for Washington State
- U.S. Energy Information Administration, Annual Energy Outlook 2019, Pacific Region
- Washington Research Council, "The Economic Contribution of Washington State's Petroleum Refining Industry in 2017," February 2019

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Wholesalers, distributors, and retailers of hazardous substances
Taxpayer Count:	570
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.21.040(2) - Domestic uses of hazardous substance

Description

Possession of a hazardous substance by a natural person for personal or domestic purposes is exempt from the hazardous substance tax.

Purpose

To limit the tax to those using the hazardous substance for business purposes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.900	$0.925	$0.941	$0.957
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.805	$0.894	$0.909
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Represents minimum amount of hazardous substances that are exempt from hazardous substance tax due to domestic use.
- Growth rate for domestic use of hazardous substances decreases by 1.2 percent annually into the future.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Requirement that $50 million per biennium be distributed into the motor vehicle fund has already been met.

Data Sources

- U.S. Energy Information Administration
- IHS Markit's March 2019 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	Domestic users of hazardous substances
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.21.040(3) - Minimal amount of hazardous substance

Description

Possession of a minimal amount of a hazardous substance (as determined by the Department of Ecology) by a retailer for the purpose of making sales to consumers is exempt from the hazardous substance tax. This exemption does not apply to pesticides or petroleum products.

Purpose

To avoid the administrative burden of collecting taxes on a large number of taxpayers for minimal amounts. The administrative burden would be on the collecting agency as well as businesses having to report small amounts of tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.015	$0.015	$0.016	$0.016
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.009	$0.011
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- A "minimal" amount of hazardous substance is an amount with a wholesale value less than $1,000 possessed during a calendar month.
- Approximately 20 percent of retail businesses in border counties have out-of-state suppliers that have not already paid hazardous substance tax.
- July 1, 2020, effective date and 11 months of cash collections in Fiscal Year 2021.
- Compliance:
  - 50 percent revenue collections in Fiscal Year 2021
  - 60 percent revenue collections in Fiscal Year 2022
  - 70 percent revenue collections in Fiscal Year 2023
  - 80 percent revenue collections in Fiscal Year 2024 and beyond.

Data Sources

- Department of Revenue excise tax data
- Department of Revenue hazardous substance tax March 2019 forecast

82.21.040(3) - Minimal amount of hazardous substance

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Small retailers whose primary business is not selling hazardous substances
Taxpayer Count:	1,300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.21.040(4) - Alumina and natural gas

Description

Alumina and natural gas are exempt from the hazardous substance tax.

Purpose

To avoid taxation of alumina and natural gas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Natural gas is not defined as a hazardous substance.
- If repealed, natural gas would not be taxable.
- Fewer than three taxpayers producing alumina; revenue impact is confidential.

Data Sources

Alumina price from London Metal Exchange on March 8, 2019

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Washington users of natural gas and alumina
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.21.040(5) - Agricultural crop protection products

Description

Pesticides or insecticides that are intended for agricultural crop protection by farmers or certified applicators, and are warehoused in Washington State, or transported to or from the state without being used in the state, and are not packaged, repackaged, or manufactured in the state, are exempt from the state hazardous substance tax.

Purpose

This concerns a very small amount of product that is neither produced nor used in Washington, so there is no reason to burden distributors with the hazardous substance tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.490	$0.490	$0.490	$0.490
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing the exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.449	$0.490	$0.490
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth assumed in tax collections.
- July 1, 2020, effective date with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Wholesalers who import and re-export pesticides
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.21.040(6) - Constitutional or Federal prohibition on hazardous substance

Description

Persons or activities that the U.S. Constitution prohibits taxing are exempt from the hazardous substance tax.

Purpose

To prevent violating constitutional law.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Collecting tax revenue would be unconstitutional.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.21.050(1) - Fuel exported in fuel tanks

Description

Hazardous substance tax previously paid on fuel carried from this state in the fuel tank of any airplane, ship, truck, or other vehicle is eligible for a credit against the hazardous substance tax.

Purpose

Avoids taxing fuel used outside of Washington. The purpose of the hazardous substance tax is to use its receipts to clean up hazardous substance sites within Washington and fuel consumed primarily outside the state are unlikely to contribute to such sites.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$25.371	$28.594	$29.441	$30.322
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$24.901	$27.969	$28.806
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Requirement that $50 million per biennium be distributed into the motor vehicle fund has been met.
- Forecasted percentage change for the implicit price deflator for non-residential structures is as follows:
  - Fiscal Year 2021 percentage change of 2.8 percent
  - Fiscal Year 2022 percentage change of 3.0 percent
  - Fiscal Year 2023 percentage change of 3.0 percent
  - Fiscal Year 2024 percentage change of 2.9 percent
  - Fiscal Year 2025 percentage change of 2.9 percent
- Tax rates for petroleum products are as follows:
  - Fiscal Year 2020 tax rate of $1.09 per barrel
  - Fiscal Year 2021 tax rate of $1.12 per barrel
  - Fiscal Year 2022 tax rate of $1.15 per barrel
  - Fiscal Year 2023 tax rate of $1.19 per barrel
  - Fiscal Year 2024 tax rate of $1.22 per barrel
  - Fiscal Year 2025 tax rate of $1.26 per barrel
- Moderate annual growth rate of positive 0.4 percent is applied in near-term, before gradually falling to negative 1 percent in the longer-term.
- July 1, 2020, effective date and 11 months of cash collections in Fiscal Year 2021.

82.21.050(1) - Fuel exported in fuel tanks

Data Sources

- U.S. Energy Information Administration
- IHS Markit's March 2019 forecast
- Department of Revenue excise tax data
- U.S. Energy Information Administration, Prime Supplier Sales Volumes of Petroleum Products, annual series for Washington State
- U.S. Energy Information Administration, Annual Energy Outlook 2019, Pacific Region
- Washington Research Council, "The Economic Contribution of Washington State's Petroleum Refining Industry in 2017," February 2019

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.21.050(2) - Taxes paid in other states

Description

A credit is allowed against the hazardous substance tax for any hazardous substance tax paid to another state with respect to the same hazardous substance. The amount of the credit cannot exceed the hazardous substance tax liability for that substance.

Purpose

To avoid the possibility of double taxation of the same product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because federal law prohibits double taxation (of the same product) of firms operating on an interstate basis.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There is no evidence that this credit is being used.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Interstate commerce firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 9
In-Lieu Excise Tax

35.21.755 - Public corporations

Description

Public corporations, commissions, and authorities must pay an in-lieu excise tax equal to what the property tax would be if a private owner owned the property.

Certain properties are exempt from this in-lieu tax including property:

- Located in a special review district established prior to January 1, 1976;
- Listed on a federal or state register of historical sites;
- Used primarily for low income housing, as a convention center, performing arts center, public assembly hall, public meeting place, public esplanade, street, public way, public open space, park, public utility corridor, or public view corridor;
- Considered blighted property acquired by a public corporation for remediation purposes; and
- Used for transit purposes by a regional transit authority.

Certain historical properties are exempt from the leasehold excise taxes of RCW 82.29A.

Purpose

Supports social benefits provided by community resources and encourages owners to retain historical property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.074	$4.500	$4.653	$4.780
Local Taxes	$12.746	$13.327	$13.935	$14.572

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.437	$4.611	$4.656
Local Taxes	$0.000	$0.680	$1.307	$1.360

Assumptions

- Property values of exempt properties grow at the same rate as other multi-family and commercial properties.
- Total estimated exempt value is $1.6 billion.

Data Sources

- County assessor data
- State property tax levy model

35.21.755 - Public corporations

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1974
Primary Beneficiaries:	Public Housing Authorities, Preservation and Development Authorities, Meydenbauer Convention Center in Bellevue, Thea Foss Esplanade in Tacoma, and the Regional Transit Authority
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

Chapter 10
Insurance Premiums Tax

48.14.020(1) - 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 0.471 percent retailing classification and collect retail sales tax from their customers.

Purpose

To reflect the fact that title insurance is subject to retail sales tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.357	$8.644	$8.940	$9.247
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue. However, there would be a net reduction in tax revenues by switching the activity to the insurance premiums tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.923	$8.940	$9.247
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 3.4 percent per year.
- The activity will also be subject to the B&O tax and retail sales tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1947
Primary Beneficiaries:	Title insurance companies
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

48.14.020(1); 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$91.800	$91.800	$91.800	$91.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$84.200	$91.800	$91.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average annual revenue of $4.6 billion.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1963
Primary Beneficiaries:	Insurance companies with these products
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

48.14.020(4) - Ocean marine insurance

Description

Ocean marine and foreign trade insurers receive a preferential insurance premium tax rate of 0.95 percent, and a deduction for losses. Other domestic and foreign insurers pay a 2.0 percent insurance premiums tax with no deduction for losses.

Purpose

To support ocean marine commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.024	$2.024	$2.024	$2.024
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.856	$2.024	$2.024
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- On average, loss is 61 percent of premiums.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1947
Primary Beneficiaries:	Companies that provide ocean marine and foreign trade insurance
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2009

48.14.0201(6)(a) - Medicare receipts

Description

Health maintenance organizations and health care service contractors are exempt from the insurance premiums tax on Medicare payments received from the federal government.

Purpose

Reduces the cost of providing health care for Medicare patients.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,144.523	$1,144.523	$1,144.523	$1,144.523
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1,049.146	$1,144.523	$1,144.523
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health maintenance organizations and health care service contractors that provide coverage for Medicare patients
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

48.14.0201(6)(b) - Washington Basic Health Care receipts

Description

Medical care receipts as provided in RCW 74.09.035 and Basic Health Care premiums are exempt from the insurance premiums tax.

Purpose

To avoid taxing receipts from state sources.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Basic Health Plan is no longer available. It has been replaced by the marketplace exchange.

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health care service contractors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

48.14.0201(6)(c) - Dentistry prepayments

Description

Health service contractors and health maintenance organizations are exempt from the insurance premiums tax for amounts received for dental coverage. This excludes the following:

- Amounts received for pediatric oral services that qualify as coverage for the minimum essential coverage requirement; and,
- Stand-alone family dental plans when offered in the individual market, or to a small group.

Purpose

To reduce the cost of providing dental coverage.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$151.299	151.299	151.299	151.299
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	138.691	151.299	151.299
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health care service contractors
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

48.14.022 - Health insurance by Washington State Pool

Description

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, carriers, health care service contractors and HMOs may deduct assessments paid to the Washington State Health Insurance Pool from their taxable premiums. Any unused portion of the deduction can be carried forward and used in successive years until the deduction is exhausted.

Purpose

To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered high risk.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.500	$0.500	$0.500	$0.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue. However, 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.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.500	$0.500	$0.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Total assessments will average $26 million a year.

Data Sources

Washington State Health Insurance Pool

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Persons with coverage under the Health Insurance Coverage Access Act
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

48.32.145; 48.32A.125 - Insurance guarantee association assessments

Description

Property, casualty, life and disability insurers may claim a credit against their insurance premiums tax for assessments made by the Washington Insurance Guarantee Association to pay covered claims of insolvent insurers. The credit 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.800	$0.800	$0.800	$0.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.700	$0.800	$0.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Insurance companies
Taxpayer Count:	800
Program Inconsistency:	The state does not normally become involved in payment of debts of private firms
JLARC Review:	JLARC completed a full review in 2012

48.36A.240 - Fraternal benefit societies

Description

Fraternal benefit societies governed by Chapter 48.36A RCW are exempt from all state and local taxation, other than taxes or 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 fraternal benefit societies.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.000	$4.000	$4.000	$4.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.700	$4.000	$4.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average of $202 million in premium income annually.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1947
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

Chapter 11
Leasehold Excise Tax

82.29A.020(1) - Manufacturing for government

Description

The term "leasehold interest" excludes 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

Minimizes the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Tooling held for defense contracts is usually owned by the government, and bailed back to Boeing. When a contract ends, the tooling, being property of the government, returns to the government.
- Tooling hasn't been tracked by the Department since 1993. This year serves as a base for all future calculations. The total tooling for that year is divided by the Boeing's manufacturing. The ratio created that year is carried forward into all future years.
- FY 2018 used as a new base year and computed using a 10 year average from Fiscal Years 2008 - 2017. This shows pre-recession, recession, and recovery years and seems to be a reasonable base given the year to year fluctuations.
- Manufacturing done by Boeing is too volatile to use a basis for future growth rates.
- Growth rate applied to FY 2018 - FY 2023 is the average actual and forecasted growth for all manufacturing from FY 2018 - FY 2023. Growth in FY 2024 and 2025 is a three year average.
- Fewer than three taxpayers so impacts are not disclosable.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- Washington State Department of Revenue 2016 Exemption Study
- Department of Revenue excise tax data

82.29A.020(1) - Manufacturing for government

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Contractors with the federal and foreign governments
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.29A.020(1)(b)(i) - Easements for removing products

Description

The term "leasehold interest" excludes 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, and rights of access, occupancy, or use granted solely for the purpose of natural energy resource exploration.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.316	$0.320	$0.322	$0.324
Local Taxes	$0.277	$0.280	$0.283	$0.284

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.240	$0.322	$0.324
Local Taxes	$0.000	$0.210	$0.283	$0.284

Assumptions

- Growth in value of these easements will mirror the general forecasted growth for leasehold excise tax collections.
- Any possible single, high-value easement granted during the scope of this estimate would pull these numbers higher.
- Fewer than 50 such easements rights are granted for product removal annually.

Data Sources

- Washington State Department of Revenue tax statistics
- Washington State Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Utility companies, 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. purchased from public entities
Taxpayer Count:	Fewer than 50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.020(1)(b)(ii) - Publicly owned cargo cranes & docks

Description

The term "leasehold interest" does not include the preferential use of publicly owned cargo cranes and docks and associated areas used in the loading and discharging of cargo located at a port district marine facility.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.800	$6.870	$6.930	$6.960
Local Taxes	$5.960	$6.030	$6.080	$6.110

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.150	$6.930	$6.960
Local Taxes	$0.000	$4.520	$6.080	$6.110

Assumptions

- Port of Vancouver and Port of Everett rents are 50 percent of the averages of those in Seattle and Tacoma.
- Port of Olympia rents are 30 percent of the averages of those in Seattle and Tacoma.
- Total estimated exempt value is $100.5 million.

Data Sources

- Audit Division, Department of Revenue, 2012 Audit
- Special Programs Division, Department of Revenue
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2012
Primary Beneficiaries:	Private entity using publically owned cargo cranes, docks, and associated areas
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.020(2)(b) - Hanford lease 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers; information is confidential.

Data Sources

Department of Health

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Companies providing radioactive waste cleanup at Hanford
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.29A.120(1)(a)(i) - Senior and disabled homeowners exemption OR credit for excessive leasehold tax

Description

A credit is allowed against leasehold excise tax for a lease of property that would qualify for a property tax exemption under RCW 84.36.381 if the property were privately owned. The allowable credit amount is a percentage equal to the percentage reduction from the property tax exemption under RCW 84.36.381.

Purpose

To provide similar exemption allowed for property tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

No data is available to determine if this credit is being utilized.

Data Sources

None

Additional Information

Additional Information	
Category:	Household
Year Enacted:	1986
Primary Beneficiaries:	Senior and disabled leaseholders
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.29A.120(1)(a)(ii) - Product leases credit of 33 percent

Description

A credit 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.311	$0.320	$0.329	$0.338
Local Taxes	$0.273	$0.281	$0.288	$0.296

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.240	$0.329	$0.338
Local Taxes	$0.000	$0.210	$0.288	$0.296

Assumptions

Annual growth of 2.7 percent.

Data Sources

- Department of Revenue leasehold tax databases
- Special Programs, Department of Revenue

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1976
Primary Beneficiaries:	Farmers who produce crops or graze livestock on publicly owned land
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.120(1)(b) - Leasehold interests in real property owned by state universities

Description

A credit is allowed against leasehold excise tax for a property owned by a state university equal to the amount that the leasehold excise tax exceeds property tax that would apply if the property were privately owned. This credit is only available on properties valued in excess of $10 million as of January 1 of the year prior to the year for which the credit is claimed.

Purpose

To reduce the leasehold excise tax for those taxpayers where the amount of leasehold excise tax exceeds what would be owned in property taxes if the property was owned by the taxpayer.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers; information is confidential.

Data Sources

- Special Programs, leasehold excise tax
- King County Assessor website

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Leaseholders of university properties
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.125 - Electric vehicle infrastructure

Description

Provides that leasehold interests in public lands are exempt from state and local leasehold excise taxes, if the purpose of the leasehold interest is to install, maintain, and operate electric vehicle infrastructure, hydrogen fueling stations, or renewable hydrogen production facilities. This exemption expires January 1, 2025.

Purpose

To encourage installation of electric and hydrogen vehicle infrastructure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Revenue impact of this exemption is indeterminate.
- Number of charging stations located on public property is unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Owners of electric vehicle charging and hydrogen fueling facilities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.29A.130(3) – Subsidized housing

Description

A lease of subsidized housing owned by the U.S. government, the state, or any political subdivision is not subject to leasehold excise tax. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$12.310	$12.950	$13.630	$14.340
Local Taxes	$10.800	$11.360	$11.960	$12.580

Repeal of exemption

Repealing this exemption may increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.790	$13.630	$14.340
Local Taxes	$0.000	$11.220	$11.960	$12.580

Assumptions

- Annual increase in monthly rents for this estimate period will match observed increases from 2004 to 2018.
- Number of subsidized housing units will remain the same over the estimate period.

Data Sources

- U.S. Department of Housing and Urban Development
- University of Washington Center for Real Estate Research

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Public housing authorities and the individuals who reside in subsidized housing
Taxpayer Count:	12,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

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 property (e.g., at state parks), the leasehold interest in that property used as the employee's residence is not subject to leasehold excise tax.

Purpose

This exemption supports legislative policy to not tax government. Also, the tax would in essence reduce employee compensation or increase government costs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.084	$0.086	$0.088	$0.090
Local Taxes	$0.074	$0.076	$0.077	$0.079

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.065	$0.088	$0.090
Local Taxes	$0.000	$0.057	$0.077	$0.079

Assumptions

- Estimated market rent furnished by Washington State Parks and Recreation reflects true market rents.
- Market rents grow similarly to market values.

Data Sources

- Washington State Parks and Recreation
- Economic and Revenue Forecast Council
- Property Tax Forecast Model - March 2019

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Public employees who must live in government housing
Taxpayer Count:	179
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(6-7) – Indian trust lands

Description

Leasehold interest in land in Indian Country by any Tribe or tribal member is exempt from leasehold tax for property held in trust by the United States. Leases by non-tribal members are exempt when the contract rent paid is greater than or equal to 90 percent of fair market rental value.

Purpose

Federal law prohibits the taxation of trust lands of enrolled tribal members.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.990	$2.013	$2.029	$2.039
Local Taxes	$1.746	$1.766	$1.780	$1.789

Repeal of exemption

State taxation of non-tribal members is not prohibited but could lead to litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.510	$2.029	$2.039
Local Taxes	$0.000	$1.324	$1.780	$1.789

Assumptions

- No additional retail square footage will be added between FY 2020 and FY 2025.
- Occupancy rates will remain consistent throughout estimate period.
- Lease rates of tribal property is similar to lease rates of comparable non-tribal properties.

Data Sources

- Loopnet.com
- Washington State Economic and Revenue Forecast Council, March 2019
- Washington State Department of Revenue 2016 Exemption Study
- Washington State Tax Statistics Publication

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Tribal and non-tribal members with qualifying leases of property in Indian Country
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.620	$1.690	$1.760	$1.830
Local Taxes	$1.420	$1.480	$1.540	$1.600

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.260	$1.760	$1.830
Local Taxes	$0.000	$1.110	$1.540	$1.600

Assumptions

- Future growth rate for leasehold excise tax will mirror historical growth rates.
- Base number used in 2016 exemption study is accurate.

Data Sources

- 2016 Washington State Department of Revenue Exemption Study
- Department of Revenue tax statistics publication

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Qualifying lessees
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.058	$0.059	$0.060	$0.060
Local Taxes	$0.052	$0.052	$0.053	$0.053

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.045	$0.060	$0.060
Local Taxes	$0.000	$0.039	$0.053	$0.053

Assumptions

- Future growth rate for leasehold excise tax will mirror historical growth rates.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.
- The total estimated exempt value is $59,600.

Data Sources

Department of Revenue leasehold excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Residents of homes awaiting destruction or removal
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.130(11) - Public works contracts

Description

Leasehold excise tax does not apply to leasehold interests of public works contractors who use public property while completing public works projects for the state or federal government.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.050	$0.050	$0.051	$0.051
Local Taxes	$0.044	$0.044	$0.044	$0.045

Repeal of exemption

Repealing this exemption may possibly increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.038	$0.051	$0.051
Local Taxes	$0.000	$0.033	$0.044	$0.045

Assumptions

- Future growth rate for leasehold excise tax will mirror historical growth rates.
- Total estimated exempt value is $734,000.

Data Sources

Department of Revenue tax statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Government and contractors
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.130(12) - Inmate employment programs

Description	This statute provides leasehold tax exemption for businesses that use space in state adult correctional facilities in conjunction with comprehensive inmate work programs.
Purpose	To promote inmate work programs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Class 1 Department of Corrections (DOC) industries were ruled unconstitutional by the Washington State Supreme Court in 2004, there is no revenue impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1992
Primary Beneficiaries:	None currently
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(13) - Camps for disabled persons

Description

Leasehold interests of nonprofit, social service organizations used to 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.027	$0.027	$0.027	$0.028
Local Taxes	$0.024	$0.024	$0.024	$0.024

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.020	$0.027	$0.028
Local Taxes	$0.000	$0.018	$0.024	$0.024

Assumptions

- Growth in exemption for camps will mirror the forecast growth rate for all leasehold excise tax.
- Effective July 1, 2020, with 11 months cash collections in Fiscal Year 2021.
- Total estimated exempt value is $398,000.

Data Sources

- Various websites for camps for disabled persons
- Department of Revenue tax statistics publication
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Organizations that operate camps for disabled person on leased pubic property
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(14) - Professional baseball stadium

Description

All leasehold interests in the public or entertainment areas of a professional baseball stadium located in a county with a population of over one million (e.g. Seattle) are exempt from the leasehold tax. The baseball stadium must have natural turf, a retractable roof or canopy, seating capacity of at least 40,000, and is complete 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 T-Mobile Park in King County.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Growth uses a 5-year average of the consumer price index.
- July 1, 2020, effective date with 11 months cash collections in Fiscal Year 2021.

Data Sources

- Census Bureau, Consumer Price Index
- ballpark.org, ballpark lease information

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	The Seattle Mariners
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. Many leases of sports facilities are considered a license to use the facility rather than an exclusive lease, therefore leasehold tax does not apply
JLARC Review:	JLARC completed an expedited report in 2013

82.29A.130(15) - Professional football stadium

Description

A leasehold tax exemption for all leasehold interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer constructed after January 1, 1998. The exemption also applies to an exhibition center and associated work areas primarily servicing public or entertainment areas such as 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers utilize this exemption; revenue impact is not disclosed.

Data Sources

- Washington State Public Stadium Authority
- Washington State Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Seattle Seahawks and Seattle Sounders
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. 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.
JLARC Review:	JLARC completed an expedited report in 2014

82.29A.130(16) - Public facilities districts

Description

Leasehold tax does not apply to leasehold 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.271	$0.276	$0.281	$0.285
Local Taxes	$0.238	$0.242	$0.246	$0.250

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.207	$0.281	$0.285
Local Taxes	$0.000	$0.181	$0.246	$0.250

Assumptions

- Growth in building rent for the preceding 4 years has mirrored the overall growth rate in Leasehold excise tax collections.
- Future growth in building rent will mirror the forecasted growth rate over the length of this estimate.
- No new facilities will utilize this exemption for the length of this estimate.
- July 1, 2020, effective date with 11 months cash collections in Fiscal Year 2021.
- Total estimated exempt value is $4.03 million.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- JLARC 2015 Review

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Public facility districts and persons who lease these facilities
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.29A.130(17) - Historic property

Description

Exemption from leasehold excise tax for leasehold interests in property owned by a municipality or the federal government listed on a federal or state historical register and located within a designated national historic reserve.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Rental growth will mirror growth of Consumer Price Index over the last five years.
- Fewer than three taxpayers; unable to disclose information.

Data Sources

- National Parks Service
- The Historic Trust
- Census Bureau, Consumer Price Index

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2005
Primary Beneficiaries:	Lessees of historical property within national historic reserves
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.29A.130(18) - Clark County amphitheater

Description

Exemption from leasehold excise tax is allowed for leasehold interests in the public or entertainment areas of a privately constructed, operated and maintained amphitheater, where both the public owner and the private lessee regularly sponsor events, with a seating capacity of at least 17,000 and is located in a county with a population over 350,000 and less than 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Lease is based on $2 per ticket with a minimum payment.
- To date ticket sales have not reach the minimum, so numbers provided are per minimum in the lease agreement.

Data Sources

Clark County

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Lessees of the Clark County amphitheater
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.29A.130(19) - Military housing

Description

Certain military housing units and ancillary supporting facilities are exempt from property tax and leasehold excise tax. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.403	$0.408	$0.411	$0.413
Local Taxes	$0.354	$0.358	$0.361	$0.363

Repeal of exemption

Repealing this exemption may possibly increase revenues. The Department would have to bill individual renters for the leasehold tax. This could be difficult in the changing military environment.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.306	$0.411	$0.413
Local Taxes	$0.000	$0.268	$0.361	$0.363

Assumptions

- Military housing growth will mirrors the statewide leasehold excise tax growth over the study period.
- Total estimated exempt value is $5.97 million.

Data Sources

- Office of the Secretary of Defense
- Economic and Revenue Forecast Council's March 2019 forecast
- 2018 Fall Apartment Market Report

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Companies that own military housing on federal land and their renters
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.130(20) - Leasehold interest in facilities owned or used by community or technical colleges

Description

Leasehold interests in facilities owned or used by a community college or technical college to provide food services, operate a bookstore or provide maintenance, operational, or administrative services are exempt from leasehold excise tax.

Purpose

To provide leasehold excise tax relief to private lessees who lease facilities from community or technical colleges (lessors) for certain purposes, and to relieve the lessors from the obligation to collect and remit such taxes from the lessees.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would result in a minimal increase in revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Fewer than three taxpayers.
- Revenue impact is indeterminate but minimal.

Data Sources

Department of Revenue leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Leaseholders at community colleges
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.130(21) – Tacoma Dome public area

Description

This exemption is for all leasehold interests in the public or entertainment areas of any arena from leasehold excise tax, if the arena:

- Has a seating capacity of more than 2,000;
- Is located on city owned land; and
- Is owned by a city with a population over 200,000 within a county with a population of less than 1,500,000.

Purpose

To promote public entertainment facilities and to bring the Tacoma Dome in line with other public stadiums and arenas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

A full repeal of this exemption would result in a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Tax exemption applies only to the Tacoma Dome.

Data Sources

Department of Revenue leasehold excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Tacoma Dome
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.132 - 2nd Narrows bridge

Description

There is a leasehold tax exemption for all leasehold interests in the state route number 16 corridor transportation systems and facilities constructed and operated under chapter 47.46. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

Purpose

This exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This statute exempted such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is contemplated.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. No public property is being leased at this time.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No lease of the facility is currently contemplated.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.29A.134 - Regional Transit Authority sales and leasebacks

Description

Leasehold interests in property owned by a Regional Transit Authority (RTA) are exempt from leasehold excise tax, if they are in connection with a sale/leaseback arrangement pursuant to RCW 81.112.300.

Purpose

The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by a RTA.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Regional Transit Authority is not using the Sale and Leaseback arrangement due to changes in Internal Revenue Service policy.

Data Sources

Regional Transit Authority

Additional Information

Additional Information	
Category:	Leasehold Excise Tax
Year Enacted:	2000
Primary Beneficiaries:	Sound Transit and investors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.29A.135 - Anaerobic digesters

Description

Leasehold interests in buildings, machinery, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from leasehold taxes for a period of six years from the date on which the facility or the addition to the existing facility becomes operational. Firms may apply for the exemption if they are operational before the end of 2024.

Purpose

To encourage the production of renewable natural gas in Washington State by stimulating investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Period for taking applications for this exemption expired December 31, 2012.
- In 2018, legislation passed for this exemption with an effective date of July 1, 2018, and an expiration date of December 31, 2024.
- Any exemption issued prior to the end of 2012 are now expired and no applications have been submitted since the passage of new legislation.
- Currently, there are no known taxpayers taking this exemption and therefore a repeal of this exemption would not increase state or local revenue.

Data Sources

Department of Revenue, Special Programs Division

82.29A.135 - Anaerobic digesters

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2018
Primary Beneficiaries:	Leaseholder of qualifying anaerobic digesters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.136 - Residential and 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues for the leasehold tax. Property taxes would decrease.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers.

Data Sources

- Mason County Assessor Office
- City of Tacoma
- Census Bureau, Consumer Price Index
- Economic and Revenue Forecast Council's March 2019 forecasts
- Department of Revenue state property tax model

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2001
Primary Beneficiaries:	Lessees of lots at Lake Cushman which are owned by the City of Tacoma
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.29A.137 - Super-efficient airplane production facilities

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 expires July 1, 2040.

A person reporting under this tax rate must file a complete annual tax performance report with the department.

Purpose

Encourages the production of super-efficient airplanes in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

If anyone did take this exemption its repeal would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There are no known manufacturers of super-efficient airplanes located on port property and none are expected through Fiscal Year 2023.
- July 1, 2020, effective date.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	There are no known beneficiaries
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.29A.138 - Amateur radio repeaters

Description

Owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property are exempt from leasehold excise tax. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.011	$0.012	$0.013	$0.014
Local Taxes	$0.009	$0.010	$0.011	$0.012

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.009	$0.013	$0.014
Local Taxes	$0.000	$0.008	$0.011	$0.012

Assumptions

- Future growth will be similar to past growth.
- If exemption was repealed leasehold excise tax would be due on the total value of the lease.
- Total estimated exempt value is $140,000.

Data Sources

Department of Natural Resources

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Amateur radio operators and amateur radio clubs
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 12
Liquor Tax

66.20.010(7) - Sales of liquor to the military

Description	Sales of liquor by the Liquor Cannabis Board to authorized representatives of military installations are exempt from liquor sales taxes.
Purpose	This exemption covered sales of liquor made by state operated stores. Currently, there is no purpose for this exemption. The military now purchases liquor from outside the state and does not collect or remit state liquor taxes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase state revenues. The military purchases liquor from outside the state and does not collect or remit state liquor taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

None

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1933
Primary Beneficiaries:	Military installations and military personnel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

66.24.290(3)(b) - Microbrewers beer tax exemption

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.

Purpose

To mitigate the impact of a general tax increase in 1993 on a growing local industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.900	$4.100	$4.300	$4.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.800	$4.300	$4.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Revenue impact grows 4 percent a year.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Washington Liquor and Cannabis Board

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Microbreweries
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

Chapter 13
Litter Tax

82.19.050(1) - Products shipped out of state

Description

Products manufactured or sold in Washington for use or consumption outside of the state are exempt from the 0.015 percent litter tax.

Purpose

Recognizes that litter tax is typically associated with consumption of products in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.075	$0.077	$0.080	$0.082
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing the exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.071	$0.080	$0.082
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate derived from March 2019 Economic and Revenue Forecast Council.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue and Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1992
Primary Beneficiaries:	Approximately 2,600 firms pay litter tax
Taxpayer Count:	2,609
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.19.050(2) - Agricultural products

Description

Farmers selling agricultural crops and animals at wholesale are exempt from the litter tax.

Purpose

Recognizes food products sold at wholesale are not generally associated with significant amounts of litter.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.527	$1.595	$1.666	$1.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing the exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.462	$1.666	$1.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Farming businesses are reporting wholesale sales for Washington State on their excise tax returns.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Excise Tax data for agricultural businesses for Fiscal Year 2018
- U.S. Department of Agriculture, Economic Research Service, Washington State, Farm Income & Wealth Statistics
- U.S. Department of Agriculture, National Agriculture Statistics Service, Washington State Overview

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1971
Primary Beneficiaries:	Farmers
Taxpayer Count:	35,700
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

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 title to the goods remains with the cooperative and an actual sale does not take place.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Litter tax would be applicable to all taxable reported income.
- Growth rate of cooperative grocers would continue per the average rate of growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Revenue Impact is less than $100 for Fiscal Year 2021 through Fiscal Year 2025.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Qualified grocery cooperatives
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.19.050(4) - Food and beverages consumed on-site

Description

Sales of food and drink for consumption on the premises of the seller or at an adjacent, eating area (e.g., food court at mall) are exempt from litter tax.

Purpose

Recognizes that food and drinks consumed on the premises of the seller generally do not contribute to the litter problem.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.145	$1.202	$1.262	$1.325
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.102	$1.262	$1.325
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 5 percent is based on 10 year average.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2003
Primary Beneficiaries:	Restaurants and other eating establishments
Taxpayer Count:	11,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.19.050(5) - Caterers

Description

Catered food and beverages provided in non-single use containers and served for immediate consumption on the premises controlled by the customer is exempt from litter tax.

Purpose

Relieves caterers from the litter tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.004	$0.005	$0.005	$0.005
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.004	$0.005	$0.005
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate averaged over 10 years reflects future growth in the industry.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Food service and catering businesses
Taxpayer Count:	187
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

Chapter 14
Oil Spill Tax

82.23B.030 - Secondary transportation

Description

Successive receipt or transportation of crude oil or petroleum products is exempt from the oil spill tax after the initial receipt of the same products at a marine or bulk terminal from a:

- Vessel or barge;
- Rail tank car; or
- Pipeline.

Purpose

This exemption restricts the tax to the initial off-loading of crude oil or petroleum products in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

For this exemption to be applicable, oil would have to be off-loaded in Washington from a vessel, rail tank car, or pipeline, then reloaded onto another vessel, rail tank car, or pipeline, before being off-loaded a second time in the state. It is assumed this scenario does not happen.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1991
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.23B.040 - Exported petroleum products

Description

Taxpayers may claim a credit against oil spill tax paid on crude oil or petroleum products subsequently exported or sold for export from the state.

Purpose

Allows the tax to apply only to products consumed within the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.103	$4.103	$4.103	$4.103
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.761	$4.103	$4.103
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the zero growth rate reflected in the Department of Revenue's March 2019 non-general fund forecast for oil spill tax collections.
- 11 months of cash collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue tax return data
- Department of Revenue's March 2019 non-general fund forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1991
Primary Beneficiaries:	Exporters of crude oil or petroleum products that were off-loaded in this state
Taxpayer Count:	10
Program Inconsistency:	Since crude oil or petroleum that is shipped through the state for export is no less likely to spill than similar products that remain in the state, this credit could be considered as being inconsistent with the oil spill prevention and response program
JLARC Review:	Not reviewed by JLARC

82.23B.045 - Nonfuel uses of crude oil petroleum products

Description

Taxpayers may claim a credit against oil spill tax paid on crude oil or petroleum products:

- Not used as fuel; or
- Used as a component or ingredient in a manufacturing process.

Purpose

Ensures the tax applies only to crude oil or petroleum used as fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.491	$0.491	$0.491	$0.491
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.450	$0.491	$0.491
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the zero growth rate reflected in the Department of Revenue's March 2019 Non-General Fund forecast for oil spill tax collections.
- 11 months of cash collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue tax return data
- Department of Revenue's March 2019 non-general fund forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1991
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

Chapter 15
Pari-mutuel Tax

67.16.105(1) - Nonprofit horse races

Description

Nonprofit horse race events lasting no longer than 10 days annually are exempt from the pari-mutuel tax.

Purpose

To support nonprofit horse race events and help revive the horse racing industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.008	$0.008	$0.008	$0.008
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.008	$0.008
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Pari-mutuel tax rates are:
  - 1.3 percent for gross receipts over $50 million; and
  - 1.803 percent for gross receipts under $50 million.
- The race track that is currently exempt does not have gross receipts over $50 million, so they would be taxed at the higher rate.
- No growth since there is currently one exempt taxpayer.

Data Sources

Washington Horse Racing Commission
http://www.whrc.wa.gov/uploads/1/1/2/0/112048803/annual2018.pdf

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Operators of nonprofit horse race events
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

67.16.105(2) - Differential parimutuel tax rates

Description

The pari-mutuel tax on gross receipts of betting machines at licensed horse races features two tax rates depending on the total wagering receipts at the particular track for the previous year:

- If receipts were greater than $50 million, the tax rate is 1.3 percent;
- If receipts were $50 million or less, the tax rate is 1.803 percent.

Purpose

The higher 1.803 percent pari-mutuel rate category for smaller race tracks is attributable to a proposed new track in 2002. However, the anticipated revenues at the existing 1.3 percent rate did not generate sufficient funds to cover the state's cost of supervision so the higher tax rate was added to the statute. This track was never constructed and currently the only race track in operation pays the original 1.3 percent rate.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.371	$0.371	$0.371	$0.371
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.340	$0.371	$0.371
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth since horse racing is declining in Washington.
- Public information found on the Washington Horse Racing Commission website used to complete this estimate.

Data Sources

Washington Horse Racing Commission
http://www.whrc.wa.gov/uploads/1/1/2/0/112048803/annual2018.pdf

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Horse-racing tracks
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 16
Petroleum Products Tax

82.23A.010(1) - Crude oil excluded

Description

The definition of petroleum products includes a variety of products derived from crude oil but excludes crude oil itself. This definition expires July 1, 2030.

Purpose

To avoid taxing both crude oil and substances derived from crude oil.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.013	$30.844	$3.204	$19.837
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$27.760	$3.204	$19.837
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- Petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- US Energy Information Administration
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.010(1) - Crude oil excluded

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Refineries, other importers of crude oil
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.23A.010(1) - Liquefied gasses excluded

Description

The definition of taxable petroleum products excludes liquefied or liquefiable gasses such as propane and butane. This definition expires July 1, 2030.

Purpose

This exclusion assumes fuel in a gaseous state imposes much less risk to the environment.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.192	$0.020	$0.131
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.172	$0.020	$0.131
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington State liquefied petroleum gas consumption is estimated to grow by 3 percent per year.
- Average price of liquefied petroleum gas is equivalent to the average estimated price of propane.
- Petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020 effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.010(1) - Liquefied gasses excluded

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Importers or producers of liquefied petroleum gas
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.23A.030(1) - Successive uses of petroleum

Description

Successive possession of previously taxed petroleum products is exempt from the tax. This exemption expires July 1, 2030.

Purpose

To ensure the tax applies only to the first use of petroleum products within the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$9.917	$50.869	$5.284	$32.716
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$45.782	$5.284	$32.716
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- The petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.030(1) - Successive uses of petroleum

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Wholesalers, distributors and retailers of petroleum products
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.23A.030(2) - Domestic uses of petroleum

Description

Petroleum used by persons (not businesses) for personal or domestic purposes is exempt from petroleum products tax. This exemption expires July 1, 2030.

Purpose

To ensure the tax applies only to businesses that import or produce petroleum in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.159	$0.016	$0.091
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.143	$0.016	$0.091
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This represents minimum amount of petroleum products that are exempt from petroleum products tax due to domestic use.
- The growth rate for the domestic use of petroleum products decreases by 2 percent annually into the future.
- The petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration
- Department of Revenue's March 2019 non-general fund forecast

82.23A.030(2) - Domestic uses of petroleum

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	Non-business users of petroleum products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(3) - Constitutional or federal prohibition on petroleum

Description

Petroleum products tax does not apply to persons or activities which the state cannot tax under the U.S. Constitution. This exemption expires July 1, 2030.

Purpose

This exemption covers the first use of petroleum products by the military and Indian tribes, as well as products that are in the process of interstate commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Collecting tax revenue would be unconstitutional.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1989
Primary Beneficiaries:	The federal government and Indian tribes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(4) - Petroleum used prior to 7/1/89

Description

Possession of petroleum before the effective date of tax (July 1, 1989) is exempt. This exemption expires July 1, 2030.

Purpose

Prevents the tax from applying to petroleum on which the owners did not anticipate having to pay tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No petroleum products obtained prior to July 1, 1989, remain in inventory in Washington State.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(5) - Fuel used to process petroleum products

Description

Natural gas, petroleum coke, liquid fuel, fuel gas used in processing of petroleum products is exempt from petroleum products tax. Exemption expires July 1, 2030.

Purpose

Excludes fuels consumed in processing, restricts the tax to products sold at retail.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.135	$0.675	$0.068	$0.405
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. Petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at end of Fiscal Year 2020, remain through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at end of Fiscal Year 2022, remain through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.608	$0.068	$0.405
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Petroleum products tax is imposed as follows, consistent with Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020, effective date is 9 months of cash collections for Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration
- Washington State Department of Commerce, Carbon Tax Assessment Model, WA energy forecast 2019
- Department of Revenue March 2019 non-general fund forecast, pollution liability insurance account

82.23A.030(5) - Fuel used to process petroleum products

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.23A.030(6) - Exported petroleum products

Description	Petroleum products exported for use outside of Washington are exempt from tax. This exemption expires July 1, 2030.
Purpose	Restricts application of the petroleum products tax to product used in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.385	$7.103	$0.738	$4.568
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.393	$0.738	$4.568
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- Price change of crude oil over time serves as a proxy for the price change of various other petroleum based products.
- Petroleum products tax is imposed as follows, consistent with Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020, effective date with 9 months cash collections for Fiscal Year 2021.

Data Sources

- Department of Revenue tax return data
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.030(6) - Exported petroleum products

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum exporters
Taxpayer Count:	17
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.030(7) - Packaged petroleum products

Description

Petroleum products that are packaged for sale to ultimate consumers are exempt from the petroleum products tax. This exemption expires July 1, 2030.

Purpose

The purpose of the tax is to generate funds to provide adequate insurance and funding for programs to clean up discharges from leaking underground petroleum storage tanks. Presumably packaged products do not have the potential to cause pollution.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The extent of packaged petroleum products is minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Importers of packaged petroleum products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.23A.040(1) - Petroleum exported in fuel tanks

Description

A credit may be claimed against the petroleum products tax for fuel exported from the state in the fuel tank of any vehicle, including airplanes, ships or trucks. This credit expires July 1, 2030.

Purpose

To tax the first use of the products in Washington; which have the potential to cause environmental damage. This credit presumes the risk to the environment reduces significantly after depositing the fuel in the vehicle fuel tank.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.134	$0.687	$0.071	$0.442
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended April 1, 2019. It is expected to be reactivated at the end of Fiscal Year 2020 and remain on through most of Fiscal Year 2021 before being suspended. It is expected to be reactivated again at the end of Fiscal Year 2022 and remain on through Fiscal Year 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.619	$0.071	$0.442
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the IHS Markit March 2019 forecast.
- Petroleum products tax is imposed as follows, consistent with the Department of Revenue's March 2019 non-general fund forecast:
  - 2 months in Fiscal Year 2020
  - 10 months in Fiscal Year 2021
  - 2 months in Fiscal Year 2022
  - 12 months in Fiscal Year 2023
- July 1, 2020, effective date results in 9 months cash collections for Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Department of Revenue's March 2019 non-general fund forecast
- IHS Markit March 2019 forecast

82.23A.040(1) - Petroleum exported in fuel tanks

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.23A.040(2) - Taxes paid in other states

Description

Taxpayers may claim a credit against the petroleum products tax for any similar tax paid upon the same product in other states. To qualify for the credit, such tax:

- Must be imposed upon the wholesale value of the petroleum products, and not constitute an income or value-added tax; and
- Must be a tax specifically directed at petroleum products, rather than a general tax.

This credit expires July 1, 2030.

Purpose

To ensure tax is applied only once to the same product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No businesses currently use this credit and none are expected to use it in the future; other western states that likely export petroleum products to Washington do not have taxes imposed on the wholesale value of petroleum products.

Data Sources

Multiple state tax commissions and state departments of revenue

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Importers of products from jurisdictions with similar taxes on petroleum products
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 17
Property Tax

Property Tax Exemptions – General Information

Property taxation

Washington taxes all property unless the law specifically exempts the property. County Treasurers collect property taxes for all taxing districts on a calendar year basis. Property taxes include:

- State property taxes, used to help fund public schools; and,
- Local property taxes, which fund services and programs provided by counties, cities, fire districts, school districts, and library districts, etc.

The assessed value of real and personal property is public information. Estimates that rely only on public information will show an impact even if there are fewer than three taxpayers using an exemption. However, confidential income data and personal property asset lists may not be released. Estimates using confidential income data or asset lists with fewer than three taxpayers are not disclosable and will have a "D" for the impact.

Maximum tax rates

The law sets maximum tax rates for state and local property taxes, but usually the taxing district's budget creates limitations on total property taxes. For this reason, Washington's property tax system was strictly a budget-based property tax system until 2018. Under a budget-based system, a property tax exemption shifts the tax to other property owners. For property taxes collected in 2018 thru 2021, the Legislature changed the state property tax levy (part 1 and part 2) to a rate-based system. Meaning a property tax exemption that starts for taxes collected in 2018 thru 2021 results in a loss of state revenue. All local property taxes remain budget-based.

The County Assessors spreads property taxes across the taxable property in the district based on the total value of taxable property in the district. This establishes the taxing district's property tax rate. However, taxing districts overlap, so the law also limits the total property tax rate for an area. The Assessor decreases rates in a specific order based on the total rate for a given area.

Tax shifts

A ***tax shift*** results when exempting property from:

- State taxes collected before 2018;
- State taxes collected during 2022 or after; or,
- Local taxes.

A ***tax shift*** happens because the total property value decreases by the value of the exempted property causing the property tax rate to increase when the Assessor spreads the taxes across the taxable property in a district. While the exempt taxpayer now pays no property taxes, the taxes *shift* to other taxpayers who pay more taxes due to the increase in the rate. However, when the rate increases it can hit the maximum rate for the district or the total property tax rate for the area. This results in a ***tax loss*** to the taxing districts because the rate cannot increase beyond the rate limitations.

Exempting property from part 1 and/or part 2 of the state property tax between 2018 and 2021 results in a loss of state revenue.

If the Legislature repeals a local property tax exemption or a state property tax exemption after 2021, the total property value increases causing the property tax rate to decrease. This *shifts* taxes back to the exempt property owner causing other taxpayers to pay less. If the rate limitations limited the rate prior to the removal of the exemption, repealing the property tax exemption may increase taxing district revenues.

If the Legislature repeals a state property tax between 2018 and 2021, the state gains revenue. The gain continues in 2022 and beyond because the additional taxable value from removing the exemption increases the starting point for each part of the state property tax.

Assumptions

The property tax exemptions analyzed in this report use the following assumptions unless otherwise noted:

- Analyses of local property taxes show that with a repeal of a property tax exemption, 82 percent of local taxes would shift to exempt property owners and 18 percent of local taxes would increase revenue for local taxing districts.

- Unless otherwise stated, the total value exempted grows at the same rate as statewide market value as forecasted by the Economic and Revenue Forecast Council in the March 2019 forecast.

- Based on five years of state property tax collections, 53.02 percent of state property tax collections occur in April and 46.98 percent occur in October. When converting from calendar year to fiscal year, estimates assume taxpayer savings and potential revenue gains follow this trend.

- For local potential revenue gains, the Legislature repeals the property tax exemption beginning with property taxes due in Calendar Year 2021, so the estimated local potential revenue gains for Fiscal Year 2021 include only the increase in April 2021 collections.

82.48.110 - General aviation

Description

Provides a property tax exemption for general aviation aircraft when aircraft excise tax is paid.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.301	$1.437	$1.486	$1.526
Local Taxes	$4.069	$4.255	$4.449	$4.653

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022 the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.778	$1.472	$1.488
Local Taxes	$0.000	$0.217	$0.417	$0.434

Repealing this exemption results in a state levy shift of an estimated $40,000 and a local levy shift of an estimated $4.2 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $492.7 million.

Data Sources

- Department of Transportation aircraft registration data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

82.48.110 - General aviation

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1949
Primary Beneficiaries:	Owners of general aviation aircraft registered with Department of Transportation
Taxpayer Count:	6,600
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

84.14.020 - Multi-unit urban housing

Description

Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures located in a targeted residential areas contained within an urban growth centers are exempt from property tax for up to twelve years. Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act.

Purpose

Encourages the development of affordable privately-owned residential units in urban areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$25.007	$29.265	$31.995	$34.486
Local Taxes	$78.085	$86.675	$95.834	$105.154

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$16.350	$30.943	$31.232
Local Taxes	$0.000	$4.543	$8.989	$9.812

Repealing this exemption results in a state levy shift of an estimated $35.9 million and a local levy shift of an estimated $95.3 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $11.4 billion.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Property Tax state levy model

84.14.020 - Multi-unit urban housing

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Owners of qualifying multi-unit residential structures
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.14.020; 84.14.040(1)(d)(i) - Multi-unit urban housing in rural counties

Description

Provides a property tax exemption for new, expanded, or updated multifamily housing in targeted areas of rural counties. Mason County is currently the only county qualifying under the definition of 'Rural County'.

The housing must have at least four units and include affordable housing. The property remains exempt for eight to twelve years, depending on the percent of affordable units. Affordability and income limits are defined by Mason County.

Purpose

Stimulate construction of multifamily housing in target areas of rural counties where housing options, including affordable housing options are limited.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Mason County is currently the only county that qualifies for this exemption.
- There are currently no participants taking this exemption.
- There are no participants in this exemption during the study forecast period.

Data Sources

Mason County Assessor's Office

84.14.020; 84.14.040(1)(d)(i) - Multi-unit urban housing in rural counties

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2014
Primary Beneficiaries:	Multifamily unit developers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

84.25.040 - Targeted urban industrial or manufacturing new construction

Description

The new construction value of qualifying industrial or manufacturing facilities is exempt from certain levies. This exemption does not apply to the state property tax levy. It only applies to county property taxes with the approval of the governing body of that county. The exemption is valid for ten years and no new application may be made after December 31, 2022.

Qualifying industrial manufacturing facilities must be located in counties with a population between 700,000 and 800,000. Within a qualified county, the facilities must be located in cities with a population of 18,000 or larger, and are north or east of the largest city in the county. The qualified facilities must also be located within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center.

Purpose

To promote new manufacturing and industrial uses on undeveloped or underutilized lands zoned for industrial and manufacturing uses in targeted urban area.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

84.25.040 - Targeted urban industrial or manufacturing new construction

Assumptions

- No applications for this property tax exemption have been received.
- No qualifying city has created a process for those interested to apply for this property tax exemption.
- Exemption is not being used and will not be used by the last date to apply.
- The exemption does not apply to the state levy.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Owners of certain manufacturing or industrial properties
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.26.070 - Historic property rehabilitation

Description

Eligible historic property receives a special valuation upon approval of the owner's application. The taxable value may have rehabilitation costs that exceed twenty-five percent of its assessed value excluded for ten years.

Purpose

Encourages the renovation of historic buildings while preserving their architectural and cultural value.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.897	$0.991	$1.025	$1.053
Local Taxes	$2.806	$2.934	$3.068	$3.208

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.537	$1.015	$1.026
Local Taxes	$0.000	$0.150	$0.300	$0.300

Repealing this exemption results in a state levy shift of an estimated $27,000 and a local levy shift of an estimated $2.9 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $340 million.
- For counties that did not respond to a survey issued by Department of Revenue in 2016, the estimated assessed value of exempt property is equal to the ratio of exempt value to total assessed value for reporting counties.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports
- Survey of County Assessors

84.26.070 - Historic property rehabilitation

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1985
Primary Beneficiaries:	Owners of historic property who rehabilitate the structure
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.33.040 - Timber

Description	Timber is exempt from property tax.

Purpose	Simplifying the taxation of timber.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.154	$3.483	$3.603	$3.701
Local Taxes	$9.866	$10.316	$10.788	$11.281

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.886	$3.569	$3.604
Local Taxes	$0.000	$0.526	$1.012	$1.053

Repealing this exemption results in a state levy shift of an estimated $96,000 and a local levy shift of an estimated $10.2 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $1.3 billion.

Data Sources

- Timber excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.33.040 - Timber

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1971
Primary Beneficiaries:	Owners of timber and contracts to harvest timber
Taxpayer Count:	2,200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.33.140 - Forest land, statutory values

Description

This law provides a statutory formula to calculate the taxable value for forest lands designated under chapter 84.33 RCW, as bare timber land without considering the highest and best use of the land or the standing timber.

Purpose

Encourages the retention of private land in timber production and to provide uniformity in the valuation of forest land designated under chapter 84.33 RCW.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$11.945	$13.193	$13.643	$14.014
Local Taxes	$37.366	$39.071	$40.856	$42.725

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.144	$13.520	$13.653
Local Taxes	$0.000	$1.993	$3.832	$3.986

Repealing this exemption results in a state levy shift of an estimated $361,000 and a local levy shift of an estimated $38.7 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $4.5 billion.
- The average current use value of designated forest land is about $120 per acre, and the average market value (highest and best use) of designated forest land is approximately $860 per acre.

Data Sources

- County Assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	Owners of approximately six million acres of designated forest land
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.33.140(13,14) - Forest land compensating tax

Description

When removing forest land from the designated forest land program, landowners paid a compensating tax to reimburse the counties for past tax losses due to the lower land valuations associated with this program. This statute waives the compensating tax for removing forest land in the following situations:

- Transferring the land to a government entity in exchange for other forest land in Washington;
- Taking the land through eminent domain or threat of eminent domain;
- Donating the title, development rights, or right to harvest to a government agency or organization qualified under RCW 84.34.210 and 64.04.130;
- Selling or transferring the land to a government entity or nonprofit nature conservancy for conservation purposes, such as state natural area preserve purposes;
- Transferring the land to the parks and recreation commission;
- Official action by a Washington State agency or the county or city in which the land is located that disallows the present use of the land;
- Creating or transferring a forestry riparian easement;
- Creating or transferring a conservation easement of private forest lands within a migration zone or containing critical habitat for threatened or endangered species;
- Transferring the land within two years of the death of the owner of at least 50% interest in the land and if the land was classified continuously since 1993; or,
- Discovering that the land designation is in error through no fault of the owner.

This statute waives the compensating tax for removing forest land in a county with a population of more than 600,000 or in a county with a population of at least 245,000 that borders Puget Sound if the land transfers to a government entity or nonprofit historic preservation or nature conservancy organization. The organization must use the land to protect or enhance public resources, or preserve, maintain, improve, restore, limit the future use of, or otherwise conserve for public use or enjoyment.

Purpose

Encourages land transfers for conservation purposes and avoids penalizing owners for events that occur outside of their control.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.252	$0.264	$0.275	$0.286
Local Taxes	$0.929	$0.974	$1.015	$1.056

84.33.140(13,14) - Forest land compensating tax

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.264	$0.275	$0.286
Local Taxes	$0.000	$0.974	$1.015	$1.056

Repealing this exemption does not result in a state or local levy shift; the compensating tax does not influence local or state levy calculations.

Assumptions

- Total estimated exempt value is $12.7 million.
- For counties that did not respond to a 2016 survey issued by the Department of Revenue, the estimated assessed value of exempt property is equal to the ratio of exempt value to the value of designated forest land in reporting counties.

Data Sources

- Survey to County Assessors
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1971
Primary Beneficiaries:	Owners of property that has been removed from the designated forest land classification
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.33.210(1) - Forest land special assessments

Description

Special benefit assessments do not apply to designated forest lands. 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 land owner may waive the exemption, pay the assessment, and receive the services.

Purpose

To exclude designated forest land from special benefit assessments. To reduce the obligation of local jurisdictions and improvement districts to provide services to exempt forest land.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.001	$0.001	$0.001	$0.001

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Repealing this exemption would increase local revenues. Improvement districts levy only at the local level, so there is no revenue change to the state.
- Repealing this exemption will result in minimal local levy shift.
- For counties that did not respond to a 2016 survey issued by the Department of Revenue, taxpayer savings of exempt property is equal to the ratio of taxpayer savings to acres of designated forest land for reporting counties.

84.33.210(1) - Forest land special assessments

- Special benefit assessments are not necessarily based on the value of a property, so the value of exempted property is not relevant.
- Exempt value will grow at a rate consistent with the growth rate of the market value property.

Data Sources

- State property tax levy model
- County abstract reports
- Survey of County Assessors
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1992
Primary Beneficiaries:	Certain owners of designated forest land
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.34.020(2) - Qualifying land used for growing plants in containers

Description

In 2014, the definition of "farm and agricultural land" expanded to include qualifying land used for growing plants in containers.

Purpose

Supports plant nurseries that are increasingly growing plants in containers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Since qualifying land used for growing plants in containers is defined as farm and agricultural land, this land is assessed at its current use value. This impact is part of a more comprehensive estimate of RCW 84.34.065, the impact of assigning current use value to farm and agricultural land.

Data Sources

None

84.34.020(2) - Qualifying land used for growing plants in containers

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1973
Primary Beneficiaries:	Owners of qualifying nurseries that grow plants primarily in containers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.34.060 - Open space land, current use

Description

Open space land and timber land are valued based only on the use to which such property and improvements is currently applied and shall not be valued based on potential uses of such property. Open space land in the current use program is valued using either a public benefit rating system or the value can be no lower than the lowest per acre value of farm and agricultural land in the county. Timber land in the current use program is valued in the same way as designated forest land, using land grades and operability classes.

Purpose

Encourages the owners of open space and timber lands to keep the property in its natural state by valuing the land as it is currently being used rather than its highest and best use.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$7.849	$8.669	$8.965	$9.209
Local Taxes	$24.554	$25.674	$26.847	$28.075

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.694	$8.883	$8.971
Local Taxes	$0.000	$1.309	$2.518	$2.620

Repealing this exemption results in a state levy shift of an estimated $238,000 and a local levy shift of an estimated $25.5 million in Fiscal Year 2023.

Assumptions

- The total estimated exempt value is $2.97 billion.
- County assessment reflect accurate market and current use values.

84.34.060 - Open space land, current use

Data Sources

- County Assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model, March 2019

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1970
Primary Beneficiaries:	Owners of 1.3 million acres of open space and timberlands
Taxpayer Count:	Unknown
Program Inconsistency:	Land preservation could be considered inconsistent with economic development and urban renewal programs
JLARC Review:	Not reviewed by JLARC

84.34.065 - Farm lands, current use

Description

Productive capacity determines the taxable value of farm and agricultural land. Productive capacity is defined as the net cash rental capitalized at a rate of interest charged on a farm mortgage plus a component for property taxes. Market value based on highest and best use determines the taxable value of most other property in Washington. So farm and agricultural land has a reduced taxable value.

The current use value of the land where the farmer and employees reside is the prior year's average value of open space farm and agricultural land used in the county plus the value of land improvements that serve the residence.

Purpose

Encourages owners of farm and agricultural land to continue using the land for agricultural purposes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$38.558	$42.587	$44.041	$45.240
Local Taxes	$120.623	$126.125	$131.886	$137.916

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$23.061	$43.644	$44.073
Local Taxes	$0.000	$6.433	$12.370	$12.869

Repealing this exemption results in a state levy shift of an estimated $1.2 million and a local levy shift of an estimated $125.0 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $16.08 billion.
- County assessment rolls correctly reflect both market and current use values.

84.34.065 - Farm lands, current use

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1973
Primary Beneficiaries:	Owners of 10.4 million acres of farm and agricultural lands
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.34.108(6) - Open space land classification removal - additional tax, interest, and penalty

Description

Landowners pay additional tax when removing land from the current use program to reimburse the county for past taxes lost due to the low land value associated with the program. This statute waives the additional tax for removing land from current use in the following situations:

- Transferring to a government entity in exchange for other land in Washington;
- Taking the land through eminent domain;
- Natural disaster--flood, windstorm, earthquake, wildfire, or other such calamity-- changing the use of the property;
- Official action by a Washington State agency or the county or city in which the land is located that disallows the present use of the land;
- Transferring to a church;
- Transferring to a government agency or organization in order to conserve the land for future use;
- Removing land classified as farm and agricultural land that houses farm employees or the principal residence of the farmer;
- Removing land if a new statute qualifies it for exemption;
- Creating or transferring a forestry riparian easement;
- Creating or transferring a conservation easement of private forest lands within a migration zone or containing critical habitat for threatened or endangered species;
- Selling the land within two years of the death of the owner if the land was classified as timber land continuously since 1993; or
- Discovering that the land designation is in error through no fault of the owner.

Purpose

Avoids penalizing land owners for a change in use for circumstances beyond their control, where the change in use is compatible with the purpose of the current use program, and/or where the property becomes fully exempt upon transfer to a church or upon qualifying under a new exemption.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.581	$0.610	$0.635	$0.661
Local Taxes	$3.068	$3.220	$3.355	$3.492

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

84.34.108(6) - Open space land classification removal - additional tax, interest, and penalty

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.610	$0.635	$0.661
Local Taxes	$0.000	$3.220	$3.355	$3.492

Repealing this exemption does not result in a state or local levy shift; the compensating tax does not influence local or state levy calculations.

Assumptions

- Total estimated exempt value is $41.6 million.
- For counties that did not respond to a 2016 survey issued by the Department of Revenue, the estimated assessed value of exempt property is equal to the ratio of exempt value to the current use value of open space in reporting counties.

Data Sources

- Survey to County Assessors
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1973
Primary Beneficiaries:	Owners of open space lands sold in these situations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.36.010(1) - 2nd Narrows bridge

Description

A property tax exemption is provided for state route 16 corridor transportation systems and facilities constructed pursuant to Chapter 47.46 RCW.

Purpose

This exemption is intended to exempt any private property used in conjunction with construction and operation of the 2nd Narrows bridge in Pierce County which will span Puget Sound. When adopted, the exemption was predicated upon the assumption that the bridge would be built with private funding until construction was complete and subsequently deeded to the state. This exemption was therefore intended to lower the overall cost of the project to enhance the likelihood of private investors funding the cost of construction.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this property tax exemption would not increase revenues. There is no private property in use on the 2nd Narrows Bridge Project at this time.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

None.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	Not applicable
JLARC Review:	JLARC completed an expedited report in 2014

84.36.010(1) - Cities and towns

Description

Real and personal property owned by municipalities is exempt from property taxation.

Purpose

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$194.548	$214.872	$222.212	$228.259
Local Taxes	$608.604	$636.369	$665.433	$695.860

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$116.354	$220.203	$222.373
Local Taxes	$0.000	$32.460	$62.415	$64.932

Repealing this exemption results in a state levy shift of an estimated $5.9 million and a local levy shift of an estimated $630.9 million in Fiscal Year 2023.

Assumptions

- The total estimated exempt value is $81.1 billion.
- Value of county government facilities per county general employee is same as the State of Washington facility value per State of Washington general employee.
- Dirt roads make up a large share of county road miles, so the value of county roads per mile is half the value of state owned roads per mile.
- Of county and municipal timber and forest land, 95% is owned by the county and 5% by cities and towns.

84.36.010(1) - Cities and towns

Data Sources

- U.S. Forest Service
- Washington State Employment Security Department
- Washington State Department of Transportation
- Washington State Auditor, Local Government Financial Reporting System
- Office of Financial Management, Comprehensive Annual Financial Report
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	City and towns
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Community centers, nonprofits

Description

Property tax does not apply, for forty years, to surplus property and buildings of a school district acquired by a nonprofit organization that uses the property as a community center.

Purpose

Supports the social benefits these nonprofit organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

None

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.010(1) - Community centers, nonprofits

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Nonprofit community centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - County government

Description

Real and personal property owned by county government is exempt from property taxation.

Purpose

Property of a county government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$214.642	$237.066	$245.164	$251.836
Local Taxes	$671.467	$702.099	$734.166	$767.736

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$128.373	$242.949	$245.342
Local Taxes	$0.000	$35.812	$68.862	$71.639

Repealing this exemption results in a state levy shift of an estimated $6.5 million and a local levy shift of an estimated $696.1 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $89.5 billion.
- Value of county government facilities per county general employee is the same as the state of Washington facility value per state of Washington general employee.
- Dirt roads make up a large share of county road miles, the value of county roads per mile is half the value of state owned roads per mile.
- Of county, municipal timber and forest land, 95 percent is owned by the county.

84.36.010(1) - County government

Data Sources

- U.S. Forest Service
- Washington State Employment Security Department
- Washington State Department of Transportation
- Washington State Auditor, Local Government Financial Reporting System
- Office of Financial Management, Comprehensive Annual Financial Report
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Counties in Washington State
Taxpayer Count:	39
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Federal government

Description

Real and personal property owned by the federal government is exempt from property taxation.

Purpose

Property of the federal government is exempt under the Washington Constitution, except to the extent that Congress specifically allows such taxation, which it has rarely done. The federal government does make certain payments in lieu of property taxes, e.g., for federal forest lands.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$118.308	$130.668	$135.131	$138.808
Local Taxes	$370.104	$386.988	$404.662	$423.166

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$70.757	$133.910	$135.229
Local Taxes	$0.000	$19.739	$37.956	$39.486

Repealing this exemption results in a state levy shift of an estimated $3.6 million and a local levy shift of an estimated $383.7 million in Fiscal Year 2018.

Assumptions

- Total estimated exempt value is $49.3 billion.
- Value of federal government facilities per federal general employee is the same as the state of Washington facility value per state of Washington general employee.

84.36.010(1) - Federal government

Data Sources

- U.S. Forest Service
- Washington State Employment Security Department
- Washington State Department of Transportation
- Office of Financial Management, Comprehensive Annual Financial Report
- U.S. Department of Defense
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1854
Primary Beneficiaries:	U.S. government, its agencies and instrumentalities
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Fire districts

Description

Real and personal property owned by fire districts is exempt from property taxation.

Purpose

Property of municipal corporations, such as fire districts, is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.535	$3.886	$4.018	$4.127
Local Taxes	$10.809	$11.298	$11.809	$12.344

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.103	$3.981	$4.020
Local Taxes	$0.000	$0.617	$1.185	$1.233

Repealing this exemption results in a state levy shift of an estimated $106,000 and a local levy shift of an estimated $11.1 million in Fiscal Year 2023.

Assumptions

The total estimated exempt value is $1.54 billion.

Data Sources

- Economic and Revenue Forecast Council March 2019 forecast
- State property tax levy model
- Fire district valuation data
- County property tax rolls
- County levy data

84.36.010(1) - Fire districts

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1933
Primary Beneficiaries:	Fire protection districts
Taxpayer Count:	358
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Foreign consulates

Description

Property owned by a foreign national government or an international commission is exempt from property taxation. To qualify, the property must serve exclusively as an office or residence for a consul or official representative of that nation and the consul or representative must be a citizen of that nation.

Purpose

Follows the principle of reciprocity, whereby a foreign nation will not tax the property of a U.S. consulate if it is used and maintained by U.S. nationals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.030	$0.033	$0.035	$0.036
Local Taxes	$0.093	$0.098	$0.102	$0.107

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.018	$0.034	$0.034
Local Taxes	$0.000	$0.005	$0.010	$0.010

Repealing this exemption results in a minimal state levy shift and local levy shift of an estimated $97,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $12.5 million.
- Values of exempt properties will grow at a rate similar to the statewide estimated growth rate during the study period.

Data Sources

- County property assessment rolls
- Department of Revenue 2016 exemption study
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.010(1) - Foreign consulates

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Foreign governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Port districts

Description

Real and personal property owned by port districts is exempt from property taxation.

Purpose

Property of a municipal corporation, such as a port district, is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$33.407	$36.897	$38.157	$39.196
Local Taxes	$104.507	$109.275	$114.266	$119.490

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$19.979	$37.812	$38.185
Local Taxes	$0.000	$5.574	$10.718	$11.150

Repealing results in a state levy shift of an estimated $1.0 million and a local levy shift of an estimated $108.3 million in Fiscal Year 2023.

Assumptions

The total estimated exempt value is $13.9 billion.

Data Sources

- Washington Public Ports Association
- Port of Seattle, Comprehensive Annual Report
- Port of Tacoma, Annual Report
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.010(1) - Port districts

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1911
Primary Beneficiaries:	Public port districts
Taxpayer Count:	75
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Public colleges & universities

Description

Real and personal property owned by public colleges and universities is exempt from property taxation. In addition, property leased to an institution of higher education by a nonprofit foundation established for the exclusive support of the institution is exempt.

Purpose

Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$58.562	$64.679	$66.889	$68.709
Local Taxes	$183.198	$191.555	$200.304	$209.463

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$34.870	$65.991	$66.641
Local Taxes	$0.000	$9.771	$18.788	$19.545

Repealing this exemption results in a state levy shift of an estimated $89.5 million and a local levy shift of an estimated $189.9 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $24.4 billion.

Data Sources

- National Center For Education Statistics - Integrated Postsecondary Education Data System
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Colleges and universities
Taxpayer Count:	44
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Public K-12 schools

Description

Real and personal property owned by school districts is exempt from property taxation.

Purpose

Property of school districts is exempt under the Washington Constitution. This reflects a longstanding legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$194.887	$215.247	$222.600	$228.657
Local Taxes	$609.666	$637.478	$666.593	$697.074

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$116.557	$220.587	$222.760
Local Taxes	$0.000	$32.516	$62.524	$65.045

Repealing this exemption results in a state levy shift of an estimated $5.9 million and a local levy shift of an estimated $632.0 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $73.8 billion.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Washington State Office of Superintendent of Public Instruction

84.36.010(1) - Public K-12 schools

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Approximately 2,100 campuses of the 295 public school districts
Taxpayer Count:	295
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Public utility districts

Description

Real and personal property owned by public utility districts is exempt from property taxation. However, public utility districts must pay a privilege tax in lieu of property tax based on the electricity they generate and distribute or based on the water and/or sewer services they provide.

Purpose

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$46.415	$51.265	$53.015	$54.458
Local Taxes	$145.201	$151.825	$158.759	$166.019

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$27.637	$52.303	$52.818
Local Taxes	$0.000	$7.744	$14.891	$15.492

Repealing this exemption results in a state levy shift of an estimated $71.0 million and a local levy shift of an estimated $150.5 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $18.57 billion.

Data Sources

- Washington Public Utility Districts Association, 2018 Sourcebook
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.010(1) - Public utility districts

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1931
Primary Beneficiaries:	Nonprofit utilities that provide electricity, water, wastewater services, wholesale telecommunications
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - State government

Description

Real and personal property owned by the state is exempt from property taxation.

Purpose

Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$117.157	$129.397	$133.817	$137.458
Local Taxes	$366.504	$383.223	$400.726	$419.049

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$70.069	$132.607	$133.913
Local Taxes	$0.000	$19.547	$37.586	$39.102

Repealing this exemption results in a state levy shift of an estimated $3.5 million and a local levy shift of an estimated $379.9 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $48.8 billion.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- 2018 Comprehensive Annual Financial Report

84.36.010(1) - State government

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Washington State
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(1) - Tribal property - Essential government services

Description

Property belonging to any federally recognized Indian tribe is exempt from property tax if the property is used exclusively for essential government services including economic development services.

Purpose

This statute is directed toward Indian tribal land owned in fee, whether located on or off the tribe's reservation. The purpose is to treat all property used for tribal government services in the same manner as land owned by local governments. "Economic development" is also recognized as an essential government service for purposes of qualifying for the exemption, and is defined to include commercial activities. Pursuant to RCW 82.29A.055, tribes that have economic development located off the reservation must negotiate and make a payment in lieu of leasehold excise tax (PILT), and private operators of these properties are subject to leasehold excise tax (LET).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.207	$1.505	$1.764	$2.055
Local Taxes	$3.760	$4.458	$5.286	$6.269

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.862	$1.631	$1.645
Local Taxes	$0.000	$0.241	$0.496	$0.585

Repealing this exemption results in a state levy shift of an estimated $0.4 million and a local levy shift of an estimated $5.7 million in Fiscal Year 2023.

- Total estimated exempt value is $600.8 million.

84.36.010(1) - Tribal property - Essential government services

Assumptions

- Market value of properties receiving this exemption mirror the past value growth of other real property.
- Market value of properties receiving this exemption will mirror the forecasted growth rate going forward.
- Additional properties will receive the exemption in the future at the same rate as over the last four years.

Data Sources

- Department of Revenue exempt property system
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2004
Primary Beneficiaries:	Indian tribes whose governmental services utilize facilities on fee land
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

84.36.010(1); 84.36.040(2) - Hospital districts

Description

Real and personal property owned by public hospital districts is exempt from property taxation. Additionally, property leased to and used by a hospital district or to Harborview Medical Center for hospital purposes, is eligible for the exemption so long as the benefit of the exemption transfers to the hospital.

Purpose

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.618	$3.996	$4.132	$4.245
Local Taxes	$11.316	$11.833	$12.373	$12.939

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.164	$4.094	$4.134
Local Taxes	$0.000	$0.603	$1.160	$1.207

Repealing this exemption results in a state levy shift of an estimated $110,000 and a local levy shift of an estimated $11.7 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $1.45 billion.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Washington Department of Health, hospital financial data

84.36.010(1); 84.36.040(2) - Hospital districts

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1945
Primary Beneficiaries:	Hospitals operated by public hospital districts or hospitals owned by a county
Taxpayer Count:	41
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.010(2) - Tribal property - Economic development

Description

Federally recognized Indian tribes in Washington receive a property tax exemption for property owned by the tribe prior to March 1, 2014, and used for economic development purposes.

This exemption expires January 1, 2022.

Purpose

Creates jobs and improves the economic health of tribal communities. Tribal property used for economic development can be on or off the reservation. This also grants tribes a similar exemption as received by state and local governments for property owned by either the state or a local government.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.164	$0.178	$0.084	$0.000
Local Taxes	$0.116	$0.117	$0.030	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.095	$0.182	$0.185
Local Taxes	$0.000	($0.383)	($0.197)	$0.000

Repealing this exemption results in no shift in the state levy and a local levy shift of an estimated $227,000 in Fiscal Year 2022.

Assumptions

- Total estimated exempt value is $65.15 million.
- Payment in Lieu of Property Tax (PILT) payments are distributed to local jurisdictions only. Estimated PILT payments are larger than property tax revenue gains from repeal of this exemption. Local jurisdictions will lose revenue when this exemption expires, or if repealed.

84.36.010(2) - Tribal property - Economic development

Data Sources

- Department of Revenue exempt property tax system
- Economic and Revenue Forecast Council's March 2019 forecast
- Property tax forecast model, March 2019

Additional Information

Additional Information	
Category:	Leasehold Excise Tax
Year Enacted:	2014
Primary Beneficiaries:	Leasehold tenant of tribal property
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.015 - Low value parcels

Description

Each parcel of real property and each personal property account that individually has an assessed value of less than $500 is exempt from property tax.

Purpose

Avoids the administrative expense of listing, valuing and collecting property tax on very small accounts.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.113	$0.125	$0.130	$0.133
Local Taxes	$0.354	$0.371	$0.388	$0.406

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.068	$0.129	$0.131
Local Taxes	$0.000	$0.019	$0.037	$0.038

Repealing this exemption results in a state levy shift of an estimated $4,000 and a local levy shift of an estimated $367,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $42.9 million.
- Assessed value of exempt property will grow at the five year average growth rate of personal property, which is 3.95 percent.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

84.36.015 - Low value parcels

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1997
Primary Beneficiaries:	Small property owners
Taxpayer Count:	Approximately 60,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.36.020 - Cemeteries

Description

Land, buildings and personal property required for the administration and maintenance of public burying grounds or cemeteries are exempt from property tax. The exemption requires that such entities do not discriminate on the basis of race, color, national origin or ancestry.

Purpose

Supports the social benefits provided by burying grounds and cemeteries.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.561	$0.619	$0.641	$0.658
Local Taxes	$1.754	$1.835	$1.918	$2.006

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.335	$0.635	$0.641
Local Taxes	$0.000	$0.093	$0.180	$0.187

Repealing this exemption results in a state levy shift of an estimated $17,000 and a local levy shift of an estimated $1.8 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $212.5 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.020 - Cemeteries

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	449 parcels owned by cemeteries
Taxpayer Count:	138
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.020 - Nonprofit churches, parsonages, and convents

Description

Property tax does not apply to churches and grounds not exceeding five acres, or parsonages and convents of nonprofit recognized religious denominations. The tax also does not apply to lands, buildings, and personal property used for a public burying ground or cemetery that does not discriminate based on race, color, national origin, or ancestry. This includes lands, buildings, and personal property required for administration and maintenance.

Purpose

Recognizing the social benefits of religious organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$16.231	$17.927	$18.539	$19.044
Local Taxes	$50.775	$53.091	$55.516	$58.055

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$9.708	$18.371	$18.552
Local Taxes	$0.000	$2.708	$5.207	$5.418

Repealing this exemption results in a state levy shift of an estimated $492,000 and a local levy shift of an estimated $52.6 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $6.1 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.020 - Nonprofit churches, parsonages, and conventions

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	7850 parcels owned by churches
Taxpayer Count:	2,921
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.030(1)(a,c) - Nonsectarian organizations

Description

Property used for character-building, benevolent, protective, or rehabilitative social service owned by nonreligious, nonprofit organizations is exempt from property tax.

Purpose

Supporting the social programs provided by these nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.667	$6.260	$6.473	$6.650
Local Taxes	$17.730	$18.538	$19.384	$20.271

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.389	$6.415	$6.478
Local Taxes	$0.000	$0.946	$1.818	$1.892

Repealing this exemption results in a state levy shift of an estimated $171,000 and a local levy shift of an estimated $18.4 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $2.2 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.030(1)(a,c) - Nonsectarian organizations

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1915
Primary Beneficiaries:	1402 parcels owned by nonprofit nonsectarian organizations
Taxpayer Count:	381
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.030(1)(b) - Nonprofit merchandise sales

Description

Selling donated merchandise on exempt property does not nullify the property tax exemption for character-building, benevolent, protective, or rehabilitative social services owned by nonreligious, nonprofit organizations if they use the proceeds to continue the mission of their organization.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.323	$0.357	$0.369	$0.379
Local Taxes	$1.011	$1.057	$1.105	$1.156

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.192	$0.366	$0.370
Local Taxes	$0.000	$0.054	$0.104	$0.108

Repealing this exemption results in a state levy shift of an estimated $10,000 and a local levy shift of an estimated $1.5 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $122 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.030(1)(b) - Nonprofit merchandise sales

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	93 parcels owned by nonprofit thrift shops
Taxpayer Count:	43
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.030(2) - Nonprofit church camps

Description

Camp facilities up to 200 acres, and owned by nonprofit churches, groups of churches, or an association of churches are exempt from property tax.

Purpose

Supports the programs provided by church-owned camps.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.647	$0.714	$0.739	$0.759
Local Taxes	$2.024	$2.116	$2.213	$2.314

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.386	$0.732	$0.740
Local Taxes	$0.000	$0.108	$0.207	$0.216

Repealing this exemption results in a state levy shift of an estimated $20,000 and a local levy shift of an estimated $2.1 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $245 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.030(2) - Nonprofit church camps

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1971
Primary Beneficiaries:	402 parcels owned by church camps
Taxpayer Count:	73
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.36.030(3) - Nonprofit youth organizations

Description

Property owned by nonprofit, character-building organizations serving boys and girls under the age of 18 is exempt from property tax. The exemption extends to organizations with existing charters that serve youth up to the age of 21.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.605	$0.668	$0.691	$0.710
Local Taxes	$1.894	$1.980	$2.070	$2.165

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.361	$0.685	$0.692
Local Taxes	$0.000	$0.101	$0.194	$0.202

Repealing this exemption results in a state levy shift of an estimated $18,000 and a local levy shift of an estimated $2 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $229.2 million.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

84.36.030(3) - Nonprofit youth organizations

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1933
Primary Beneficiaries:	252 parcels owned by nonprofit youth organizations
Taxpayer Count:	76
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

84.36.030(4) - Veterans organizations

Description

Property owned by veterans organizations or societies that are recognized as such by the Department of Defense and have national chapters can qualify for a property tax exemption.

Purpose

Supports patriotism and the activities of veteran's organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.138	$0.153	$0.158	$0.162
Local Taxes	$0.432	$0.452	$0.473	$0.495

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.083	$0.157	$0.159
Local Taxes	$0.000	$0.023	$0.044	$0.046

Repealing this exemption results in a state levy shift of an estimated $5,000 and a local levy shift of an estimated $449,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $52.3 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.030(4) - Veterans organizations

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1929
Primary Beneficiaries:	155 parcels owned by veteran's organizations
Taxpayer Count:	109
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

84.36.030(5) - Federal instrumentalities furnishing aid and relief

Description

A property tax exemption exists for corporations created by Congress that provide:
- Volunteer aid to the armed forces; and,
- A system of national and international disaster relief.

Purpose

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

This exemption applies to fewer than three taxpayers

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.030(6) - Student loan organizations

Description

Property owned by nonprofit organizations, exempt from federal income tax, that guarantee federal student loans or issue debt to provide student loans is exempt from property tax.

Purpose

Supporting the benefits these organizations provide to college students.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in no levy shifts.

Assumptions

- There are currently no organizations claiming this exemption.
- No organizations will take this exemption during the next four years.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.030(6) - Student loan organizations

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2012

84.36.031(2) - Nonprofit character building leases

Description

Property tax does not apply to property owned by churches and nonprofit character-building organizations that lease out or rent the property to another nonprofit, character-building organization.

Property tax also doesn't apply to property owned by an organization formed exclusively to lease the property to a nonprofit, character-building organization. The property has to have been exempt from property tax under the previous owner and the organization leasing the land gets the benefit of the exemption.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.018	$0.019	$0.020	$0.020
Local Taxes	$0.054	$0.056	$0.059	$0.061

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.011	$0.020	$0.020
Local Taxes	$0.000	$0.003	$0.006	$0.006

Repealing this exemption results in minimal state levy shift and a local levy shift of an estimated $55,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $6.5 million.

84.36.031(2) - Nonprofit character building leases

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2012
Primary Beneficiaries:	3 parcels leased by community service organizations
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.032 - Church administrative offices

Description

Property tax does not apply to real and personal property of administrative offices of nonprofit recognized religious organizations. The offices must be used in the administration of the religious programs of the organization to qualify for the property tax exemption.

Purpose

Supports the social benefits that religious organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.115	$0.127	$0.131	$0.135
Local Taxes	$0.359	$0.375	$0.393	$0.412

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.069	$0.131	$0.132
Local Taxes	$0.000	$0.019	$0.037	$0.039

Repealing this exemption results in a state levy shift of an estimated $4,000 and a local levy shift of an estimated $373,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $43.5 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.032 - Church administrative offices

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1975
Primary Beneficiaries:	35 parcels owned by religious organizations
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

84.36.035 - Nonprofit blood and tissue banks

Description

Real and personal property owned or leased by nonprofit organizations and used for blood banks, tissue banks, or blood and tissue banks is exempt from property tax.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.227	$0.240	$0.238	$0.235
Local Taxes	$0.713	$0.711	$0.714	$0.717

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.128	$0.242	$0.245
Local Taxes	$0.000	$0.036	$0.067	$0.067

Repealing this exemption results in a state levy shift of an estimated $9,000 and a local levy shift of an estimated $650,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $88.9 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.035 - Nonprofit blood and tissue banks

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1971
Primary Beneficiaries:	26 parcels owned by blood and tissue banks
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.36.037 - Nonprofit public assembly halls and meeting places

Description

Property tax does not apply to real and personal property owned by a nonprofit public assembly hall or meeting place. The property must be used exclusively for public gathers and be available to everyone. If the property is a public assembly hall then it can be up to one acre, if the property is used for annual community celebrations and mostly unimproved it can be up to 29 acres.

A farmers market can use the property for 53 or fewer days per year. Organizations providing dance lessons, art classes, or music lessons can use the property in a county with a population of less than 20,000, when rents for these activities is for capital improvements or maintenance and operation expense use only. Using the property for monetary gain does not nullify the property tax exemption if all income from the rental goes toward capital improvements, maintenance, or the exempt purpose of the nonprofit organization. This provision expires December 31, 2020.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.160	$0.177	$0.183	$0.188
Local Taxes	$0.502	$0.525	$0.549	$0.574

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.095	$0.182	$0.184
Local Taxes	$0.000	$0.027	$0.051	$0.054

Repealing this exemption results in a state levy shift of an estimated $5,000 and a local levy shift of an estimated $520,000 in Fiscal Year 2023.

84.36.037 - Nonprofit public assembly halls and meeting places

Assumptions

Total estimated exempt value is $60.7 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	274 parcels owned by nonprofit public assembly halls
Taxpayer Count:	216
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

84.36.040(1)(a) - Nonprofit day care centers

Description

Nonprofit child day care centers are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.703	$0.776	$0.803	$0.825
Local Taxes	$2.199	$2.299	$2.404	$2.513

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.420	$0.796	$0.804
Local Taxes	$0.000	$0.117	$0.226	$0.235

Repealing this exemption results in a state levy shift of an estimated $22,000 and a local levy shift of an estimated $2.3 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $266.2 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.040(1)(a) - Nonprofit day care centers

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1973
Primary Beneficiaries:	166 parcels owned by nonprofit daycare centers
Taxpayer Count:	33
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.36.040(1)(b) - Nonprofit libraries

Description

Nonprofit free public libraries are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits that nonprofit public libraries provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.024	$0.027	$0.028	$0.029
Local Taxes	$0.076	$0.080	$0.084	$0.087

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.015	$0.028	$0.028
Local Taxes	$0.000	$0.004	$0.008	$0.008

Repealing this exemption results in a state levy shift of an estimated $1,000 thousand and a local levy shift of an estimated $79,000 in Fiscal Year 2023.

Assumptions

The total estimated exempt value is $9.3 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.040(1)(b) - Nonprofit libraries

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1854
Primary Beneficiaries:	14 parcels owned by organizations operating libraries
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.040(1)(c) - Nonprofit orphanages

Description

Nonprofit orphanages are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- All real and personal property currently exempted as an orphanage qualifies for the exemption for character building for children under 18 run by nonprofit organizations.
- Two organizations that qualified as orphanages are now incorporated into the exemption for character building for children under 18 in RCW 84.36.030(3).

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.040(1)(c) - Nonprofit orphanages

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1891
Primary Beneficiaries:	Orphanages
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.040(1)(d) - Nonprofit nursing homes

Description

Nonprofit nursing homes are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.903	$2.102	$2.174	$2.233
Local Taxes	$5.953	$6.225	$6.510	$6.807

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.138	$2.154	$2.175
Local Taxes	$0.000	$0.318	$0.611	$0.635

Repealing this exemption results in a state levy shift of an estimated $57,000 and a local levy shift of an estimated $6.2 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $721 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.040(1)(d) - Nonprofit nursing homes

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1891
Primary Beneficiaries:	339 parcels owned by homes for the sick or infirm
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.040(1)(e) - Nonprofit hospitals

Description

Nonprofit hospitals are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits that nonprofit hospitals provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$21.351	$23.581	$24.387	$25.050
Local Taxes	$66.792	$69.839	$73.029	$76.368

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.769	$24.167	$24.405
Local Taxes	$0.000	$3.562	$6.850	$7.126

Repealing this exemption results in a state levy shift of an estimated $646,000 and a local levy shift of an estimated $69.2 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $8.09 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.040(1)(e) - Nonprofit hospitals

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1886
Primary Beneficiaries:	642 parcels owned by nonprofit hospitals
Taxpayer Count:	16
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.040(1)(f) - Nonprofit outpatient dialysis facilities

Description

Nonprofit outpatient dialysis treatment facilities are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits that outpatient dialysis facilities provide.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

None

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.040(1)(f) - Nonprofit outpatient dialysis facilities

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	31 parcels owned by outpatient dialysis centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.041 - Nonprofit homes for the aging

Description

Real and personal property owned or leased by a nonprofit home for the aging is exempt if:

- Residents occupy at least 50 percent of the dwellings;
- The federal department of housing and urban development program subsidizes the home; or,
- The home for the aging is financed in part by tax exempt bonds.

Property taxes do not apply if home financing is 75 percent tax exempt bonds and the financing requires a certain percentage of dwellings for low-income residents. The exemption lasts as long as the bonds or the requirement for low-income resident dwellings, whichever is shorter. A partial exemption applies if the home fails to qualify in its entirety. A partial exemption applies for areas jointly used by a home for the aging and a nonprofit organization that is also exempt from property taxes.

Purpose

Providing equal treatment of senior citizens who own their own homes and qualify for the senior citizen property tax exemption and those residing in homes for the aging.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.487	$4.956	$5.125	$5.265
Local Taxes	$14.038	$14.678	$15.349	$16.050

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.683	$5.080	$5.129
Local Taxes	$0.000	$0.748	$1.439	$1.497

Repealing this exemption results in a state levy shift of an estimated $136,000 and a local levy shift of an estimated $14.6 million in Fiscal Year 2023.

84.36.041 - Nonprofit homes for the aging

Assumptions

Total estimated exempt value is $1.70 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	405 parcels owned by retirement homes
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.042 - Nonprofit developmentally disabled housing

Description

Property tax does not apply to the real and personal property used by a nonprofit organization providing housing and a level of care for persons with developmental disabilities.

Purpose

Supporting the social benefits provided by these organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.164	$0.181	$0.187	$0.192
Local Taxes	$0.512	$0.535	$0.559	$0.585

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.098	$0.186	$0.188
Local Taxes	$0.000	$0.027	$0.052	$0.055

Repealing this exemption results in a state levy shift of an estimated $5,000 and a local levy shift of an estimated $530,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $65.9 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.042 - Nonprofit developmentally disabled housing

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	178 parcels owned by nonprofit organizations providing housing for the developmentally disabled
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.36.043 - Nonprofit homeless shelters

Description

Property taxes do not apply to real and personal property used by a nonprofit organization providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless for personal safety reasons. Any charges for the housing cannot exceed the actual cost to operate and maintain the facility.

Purpose

Supporting the social services provided by these organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.637	$0.703	$0.727	$0.747
Local Taxes	$1.991	$2.082	$2.178	$2.277

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.381	$0.721	$0.728
Local Taxes	$0.000	$0.106	$0.204	$0.212

Repealing this exemption results in a state levy shift of an estimated $19,000 and a local levy shift of an estimated $2.1 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $241.1 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.043 - Nonprofit homeless shelters

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1983
Primary Beneficiaries:	379 parcels owned by homeless shelters
Taxpayer Count:	75
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.045 - Nonprofit medical research facilities

Description

Property taxes do not apply to real and personal property owned or used by a nonprofit corporation or association that provides facilities for medical research and training free of charge.

Purpose

Supporting nonprofit medical research and training facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.704	$6.301	$6.516	$6.693
Local Taxes	$17.845	$18.659	$19.511	$20.403

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.412	$6.456	$6.521
Local Taxes	$0.000	$0.952	$1.830	$1.904

Repealing this exemption results in a state levy shift of an estimated $173,000 and a local levy shift of an estimated $18.5 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $2.2 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.045 - Nonprofit medical research facilities

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1975
Primary Beneficiaries:	23 parcels owned by medical research centers
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.046 - Nonprofit cancer treatment clinics

Description

Property tax does not apply to real and personal property used by nonprofit cancer prevention, detection, or treatment facilities. The property tax exemption also applies to real and personal property used by a municipal hospital corporation for cancer prevention, detection, or treatment.

Purpose

Providing equal taxation treatment for nonprofit cancer treatment clinics as for nonprofit hospitals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.736	$0.813	$0.841	$0.864
Local Taxes	$2.303	$2.408	$2.518	$2.633

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.440	$0.834	$0.842
Local Taxes	$0.000	$0.123	$0.236	$0.246

Repealing this exemption results in a state levy shift of an estimated $22,000 and a local levy shift of an estimated $2.4 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $278.9 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.046 - Nonprofit cancer treatment clinics

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	21 parcels owned by cancer clinics
Taxpayer Count:	2
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.047 - Nonprofit radio and TV broadcast facilities

Description

Property tax does not apply to real and personal property used by nonprofit organizations that rebroadcast or amplify the transmission or reception of free radio or television signals broadcast by foreign or domestic government agencies.

Purpose

Supporting the activities of nonprofit broadcasters.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in no levy shifts.

Assumptions

Total estimated exempt value is zero.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.047 - Nonprofit radio and TV broadcast facilities

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1977
Primary Beneficiaries:	No current beneficiaries
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

84.36.049 - Nonprofit low-income housing development

Description

All real property owned by a nonprofit entity or qualified cooperative association for the purpose of developing or redeveloping on the real property one or more residences to be sold to low-income households, including certain land leases, is exempt from state and local property taxes.

Purpose

To reduce the cost of developing low income housing.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.044	$0.049	$0.051	$0.052
Local Taxes	$0.138	$0.144	$0.151	$0.158

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.026	$0.051	$0.051
Local Taxes	$0.000	$0.007	$0.014	$0.015

Repealing this exemption results in an estimated $2,000 state levy shift and a local levy shift of an estimated $143,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $16.7 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.049 - Nonprofit low-income housing development

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1854
Primary Beneficiaries:	205 parcels owned by a nonprofit entity or qualified cooperative association for the purpose of low-income housing development
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.050(1) - Nonprofit private colleges

Description

Property taxes do not apply to real and personal property used by private, nonprofit colleges and universities for educational or cultural purposes. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

Purpose

Supporting the college education provided by nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.838	$5.343	$5.526	$5.676
Local Taxes	$15.133	$15.824	$16.547	$17.304

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.893	$5.476	$5.530
Local Taxes	$0.000	$0.807	$1.552	$1.614

Repealing this exemption results in a state levy shift of an estimated $147,000 and a local levy shift of an estimated $15.7 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $1.8 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.050(1) - Nonprofit private colleges

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1925
Primary Beneficiaries:	673 parcels owned by nonprofit colleges
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

84.36.050(1) - Nonprofit private K-12 schools

Description

Property taxes do not apply to real and personal property used by private, nonprofit schools offering education from kindergarten through high school. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

Purpose

Supporting the K-12 education provided by nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.768	$3.057	$3.161	$3.247
Local Taxes	$8.658	$9.053	$9.466	$9.899

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.655	$3.133	$3.164
Local Taxes	$0.000	$0.462	$0.888	$0.924

Repealing this exemption results in a state levy shift of an estimated $84,000 and a local levy shift of an estimated $9 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $1.05 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.050(1) - Nonprofit private K-12 schools

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1925
Primary Beneficiaries:	405 parcels owned by nonprofit schools
Taxpayer Count:	114
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

84.36.050(2) - Nonprofit educational foundations

Description

Real and personal property owned by a nonprofit foundation that supports an institution of higher education is exempt from property tax. The tax exemption applies only to the property actively used by currently enrolled students.

Purpose

Supporting the educationally support provided by these nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.118	$0.130	$0.135	$0.138
Local Taxes	$0.369	$0.386	$0.404	$0.422

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.070	$0.134	$0.135
Local Taxes	$0.000	$0.020	$0.038	$0.040

Repealing this exemption results in a state levy shift of an estimated $4,000 and a local levy shift of an estimated $382 thousand in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $44.6 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.050(2) - Nonprofit educational foundations

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2001
Primary Beneficiaries:	57 parcels owned by institutions of higher learning with an educational foundation
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.060(1)(a) - Nonprofit art collections & museums

Description

Property tax does not apply to the real or personal property of a nonprofit organization maintaining and exhibiting art, scientific, or historical collections. The collections must be open to the public. The exemption also applies to property used exclusively for safekeeping and maintaining the collections. To receive a property tax exemption the nonprofit organization must:

- Operate exclusively for artistic, scientific, historical, or educational purposes;
- Receive a substantial part of its support from the federal, state, or local government or public contributions.

If the property is not currently exhibiting, safe keeping, or maintaining, the collections, but will in the future, the nonprofit organization must submit proof they are constructing, remodeling, or otherwise enabling the property for exempted use.

Purpose

Supporting nonprofit museums that display art, scientific, or historical materials for the public.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.647	$0.715	$0.739	$0.759
Local Taxes	$2.024	$2.116	$2.214	$2.315

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.387	$0.732	$0.740
Local Taxes	$0.000	$0.108	$0.208	$0.216

Repealing this exemption results in a state levy shift of an estimated $20,000 and a local levy shift of an estimated $2.1 million in Fiscal Year 2023.

84.36.060(1)(a) - Nonprofit art collections & museums

Assumptions

The total estimated exempt value is $245 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1915
Primary Beneficiaries:	265 parcels owned by museums
Taxpayer Count:	99
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.060(1)(b) - Nonprofit performing arts

Description

Property tax does not apply to the real or personal property owned or leased by a nonprofit organization producing and performing musical, dance, artistic, dramatic, or literary works for the general public. To receive a property tax exemption the nonprofit organization must:

- Operate exclusively for artistic, literary, musical, dance, dramatic, or educational purposes; and,
- Receive a substantial part of its support from the federal, state, or local government or public contributions.

Purpose

Supporting nonprofit artistic, literary, musical, dance or dramatic organizations and recognizing the education and artistic contributions they make to society.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.176	$0.194	$0.201	$0.206
Local Taxes	$0.550	$0.575	$0.601	$0.629

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.106	$0.200	$0.202
Local Taxes	$0.000	$0.029	$0.056	$0.059

Repealing this exemption results in a state levy shift of an estimated $6,000 and a local levy shift of an estimated $570,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $66.6 million.

84.36.060(1)(b) - Nonprofit performing arts

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	71 parcels owned by performing arts organizations
Taxpayer Count:	35
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.060(1)(c) - Fire companies

Description

Fire engines, buildings and other equipment of fire companies of any city, town or privately owned fire company are exempt from property tax.

Purpose

Extends the property tax exemption municipal fire districts receive to cover privately-owned land on which fire districts maintain fire stations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.001	$0.001	$0.001	$0.001
Local Taxes	$0.002	$0.003	$0.003	$0.004

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.001	$0.001	$0.001
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in no state levy shift and a local levy shift of an estimated $4,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $327,000.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.060(1)(c) - Fire companies

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1890
Primary Beneficiaries:	One known fire district owning a fire station on privately-owned land
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.060(1)(d) - Humane societies

Description

Property owned and used by humane societies is exempt from property tax.

Purpose

Supports the social benefits that humane societies provide. Also, provides the same tax exempt status granted to animal shelters operated by local governments.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.117	$0.130	$0.135	$0.139
Local Taxes	$0.367	$0.386	$0.404	$0.422

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.070	$0.134	$0.135
Local Taxes	$0.000	$0.020	$0.038	$0.040

Repealing this exemption results in a state levy shift of an estimated $5,000 and a local levy shift of an estimated $383,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $44 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.060(1)(d) - Humane societies

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1915
Primary Beneficiaries:	57 parcels owned by humane societies
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.070 - Intangibles

Description

Intangible personal property receives an exemption from property tax. The definition of intangible personal property includes:

- All money and credits, such as mortgages, cash, deposits, loans and securities;
- Private personal service contracts and athletic franchises or agreements; and,
- Other intangible personal property including but not limited to trademarks, trade names, trade secrets, patents, copyrights, franchise agreements, customer lists, licenses and permits.

The law specifically excludes characteristics and attributes of real property (zoning, location, view, geographic features, etc.) from the definition of intangible personal property.

Purpose

Avoids the double taxation of tangible assets underlying certain intangible assets. The exemption also recognizes the administrative difficulty of locating and valuing such mobile assets.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$7,309.520	$8,027.764	$8,256.670	$8,434.701
Local Taxes	$22,873.959	$23,775.085	$24,724.410	$25,713.341

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4,358.568	$8,248.721	$8,331.082
Local Taxes	$0.000	$1,211.516	$2,319.073	$2,399.363

Repealing this exemption results in a state levy shift of an estimated $103.6 million and a local levy shift of an estimated $23.3 billion in Fiscal Year 2023.

84.36.070 - Intangibles

Assumptions

- The total estimated exempt value is $3.03 trillion.
- Intangible value of state assessed property will remain stable over the study period.
- The proportion of intangible property that is in Washington is equal to the share of Washington income to national income.

Data Sources

- The World Bank
- Bureau of Economic Analysis, gross domestic product and personal income data
- Report: "What Ideas are Worth: The Value of Intellectual Capital and Intangible Assets in the American Economy". By Kevin A. Hassett and Robert J. Shapiro (Sonecon)
- IHS Markit - household financial assets
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Standard and Poor's
- Department of Revenue public utility property valuations

Additional Information

Additional Information	
Category:	Intangibles
Year Enacted:	1931
Primary Beneficiaries:	Holders of intangible assets, both individuals and businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

84.36.079 - Ships under construction

Description

Vessels that can carry more than 1,000 tons that are under construction and materials and parts held by the builder at the construction site for use in these vessels are exempt from property tax.

Purpose

Improves the competitive position of shipyards in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A full repeal of this exemption would have no fiscal impact or shift on state or local property taxes as everything covered under this exemption is also exempt as business inventory under RCW 84.36.477.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No construction of private ships of this magnitude has taken place in recent years and none is anticipated in the near future.

Data Sources

- Internet search for ship builders in Washington
- County assessors

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1959
Primary Beneficiaries:	Owners of vessels under construction
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.36.080(1) - Commercial vessels

Description

Vessels used for commercial fishing or for transportation of persons or freight in interstate commerce are subject to the state property tax only and are exempt from all local tax levies.

Purpose

Promotion of ocean-going commerce and commercial fishing in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.134	$2.357	$2.437	$2.503
Local Taxes	$6.674	$6.979	$7.298	$7.631

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.276	$2.414	$2.438
Local Taxes	$0.000	$0.356	$0.684	$0.712

Repealing this exemption results in a state levy shift of an estimated $65,000 and a local levy shift of an estimated $6.9 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $889.6 million.
- Apportioned value of commercial vessels is exempt from local property tax levies.
- Estimated apportioned value for assessment year 2018 is equal to the four year average from 2014 to 2017.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Department of Revenue property tax statistics

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1931
Primary Beneficiaries:	Owners of about 1,800 commercial vessels
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

84.36.080(2) - Historic vessels

Description

Ships and vessels listed on the state or federal register of historic places are exempt from property tax.

Purpose

Encourages retention and restoration of historic boats.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.032	$0.033	$0.033	$0.032
Local Taxes	$0.099	$0.099	$0.100	$0.100

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.018	$0.034	$0.034
Local Taxes	$0.000	$0.005	$0.009	$0.009

Repealing this exemption results in a state levy shift of an estimated $2,000 and a local levy shift of an estimated $91,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $12.3 million.
- Value of historic vessels remains constant.

Data Sources

- Center of Wooded Boat
- Washington Department of Archaeology and Historical Preservation

84.36.080(2) - Historic vessels

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1986
Primary Beneficiaries:	Owners of vessels listed in the state or federal register of historical places
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

84.36.090 - Other ships and vessels

Description

All ships and vessels, other than commercial vessels and vessels under construction, are exempt from property tax.

Purpose

Protects the owners of pleasure boats and other vessels from paying both the personal property tax and the 0.5 percent state watercraft excise tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.196	$8.458	$8.329	$8.251
Local Taxes	$25.708	$25.048	$24.937	$25.148

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.456	$8.433	$8.519
Local Taxes	$0.000	$1.243	$2.339	$2.346

Repealing this exemption results in a state levy shift of an estimated $269,000 and a local levy shift of an estimated $22.6 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $3.11 billion.
- Estimated value of vessels exempted by this statute is based on vessels that are assessed the watercraft excise tax which are reflective of market value.
- Watercraft excise tax and vessel registration fees will be assessed in addition to property tax if this exemption is repealed.

Data Sources

- General fund forecast, March 2019
- Property tax forecast model, March 2019

84.36.090 - Other ships and vessels

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1931
Primary Beneficiaries:	Owners of pleasure boats
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

84.36.105 - Cargo containers

Description

Cargo containers principally used in ocean commerce are exempt from property tax.

Purpose

To help Washington ports compete with other West Coast ports.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.531	$0.577	$0.590	$0.600
Local Taxes	$1.664	$1.709	$1.767	$1.828

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.311	$0.588	$0.594
Local Taxes	$0.000	$0.087	$0.166	$0.171

Repealing this exemption results in a state levy shift of an estimated $6,000 and a local levy shift of an estimated $1.658 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $204 million.
- The quantity of cargo containers moving through Washington's ports grows at a 3 percent rate.
- 85 percent of containers moving through Washington ports move through Port of Tacoma and Port of Seattle (2016 Study Assumption).

Data Sources

- The Northwest Seaport Alliance
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Sea Container Sales (281) 616-6860 SeaContainerSales.com

84.36.105 - Cargo containers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Owners of cargo containers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

84.36.110(1) - Household goods

Description

Household items and furnishings in actual use and personal effects held by the owner for personal use are exempt from property tax.

Purpose

Avoids the administrative difficulty of locating and listing household items and establishing values for used items.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$217.909	$233.831	$236.560	$237.894
Local Taxes	$682.517	$692.505	$708.334	$725.168

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$125.307	$237.146	$239.527
Local Taxes	$0.000	$34.957	$66.441	$67.668

Repealing this exemption results in a state levy shift of an estimated $1.6 million and a local levy shift of an estimated $657.5 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $87.4 billion.
- The Washington share of the national value of household goods and personal effects is equal to Washington's share of national population, which is a little more than 2.2%.
- Washington population will grow near 0.8% annually.
- Value of household goods and personal effects will grow approximately 1.9% per year.

84.36.110(1) - Household goods

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Bureau of Economic analysis
- U.S. Census Bureau

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1871
Primary Beneficiaries:	Approximately 2.6 million households
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.36.110(2) - Personal property up to $15,000

Description

In addition to the complete exemption of household goods and personal effects, the first $15,000 of taxable personal property for heads of families is exempt from property tax, excluding private motor vehicles and mobile homes.

Purpose

Provides property tax relief to heads of families who have taxable personal property used in a business activity (essentially sole proprietors).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.584	$0.628	$0.636	$0.641
Local Taxes	$1.831	$1.861	$1.905	$1.953

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.087	$0.164	$0.166
Local Taxes	$0.000	$0.024	$0.048	$0.053

Repealing this exemption results in a state levy shift of an estimated $19,000 and a local levy shift of an estimated $508,000 in Fiscal Year 2023.

Assumptions

- The total estimated exempt value is $60.18 million.
- County assessors do not list all sole proprietor personal property accounts of businesses owning less than $15,000. Since owners of personal property self-report, county assessors would have to discover and audit non-reporting businesses that own less than $15,000. This is a costly and unnecessary exercise since assessors are not required to list these accounts, and these accounts have no taxable value.
- Accounts currently on the rolls would become taxable the following year, if this exemption is repealed.

- Other accounts currently not required to report would have a low compliance rate in the first few years after the repeal.
- Average value of personal property owned by a non-reporting sole proprietors is $1,500.
- The value of exempt property will grow at 2% annually.

Data Sources

- Economic and Revenue Forecast Council's February 2019 forecast
- State property tax levy model
- 2018 county abstract reports
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1890
Primary Beneficiaries:	Sole proprietor business owners
Taxpayer Count:	125,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.130 - Airports owned by cities in other states

Description

Real and personal property located in Washington that is exclusively owned by a municipal corporation of an adjoining state that is used primarily as an airport facility is exempt from property taxation, as long as the size of the airport does not exceed 500 acres.

Purpose

While reciprocity is not mentioned in this statute, it is assumed that should a similar situation occur in Oregon or Idaho, those states would enact similar exemptions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, there are no out-of-state municipalities that own airport property in Washington. There is one airport that is jointly owned by a Washington municipality and an Idaho municipality. Property at this airport is exempt as government property under other Washington State laws.

Data Sources

None

84.36.130 - Airports owned by cities in other states

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1941
Primary Beneficiaries:	None, there are no out-of-state municipalities that solely own airport property
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

84.36.133 - Commuter air carriers paying excise tax

Description

An aircraft owned and operated by a commuter air carrier is exempt from property tax for the calendar year if the owner has paid aircraft excise tax on the aircraft for that year.

Purpose

Recognizes the difficulty in providing accurate aircraft values for property tax purposes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- The number of commuter air carriers operating in Washington will remain constant through 2025.
- Exempt value will grow at a rate consistent with the growth rate of the market value of property.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Department of Revenue state assessed valuation data

84.36.133 - Commuter air carriers paying excise tax

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Owners of commuter air carriers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

84.36.135 - Housing Finance Commission

Description

Real and personal property owned by the Washington State Housing Finance Commission is exempt from property tax.

Purpose

Reflects the legislative policy not to tax governmental operations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.002	$0.002	$0.002	$0.002

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in a minimal state levy loss and a $2,000 local levy shift for property taxes collected in 2023.

Assumptions

- Total estimated exempt value is $150,000.
- The Housing Finance Commission only owns personal property.
- The value of this property remains constant through the estimation period.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.135 - Housing Finance Commission

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	State Housing Finance Commission
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.210 - Public right-of-way easements

Description

Easement rights obtained by government entities over private property are exempt from property taxation. Additionally, property over which the easement permits use is exempt from general tax foreclosure, and property taxes on the sale of delinquent property. Easement refers to the legal right to cross or otherwise use land for a specific purpose. To receive the exemption, the taxpayer must have written documentation of the easement on file with the county auditor's office. However, some jurisdictions do negotiate payments in lieu of property taxes with local taxing jurisdictions.

Purpose

Since publicly owned property is exempt from taxation, it follows that the value of easements obtained by government agencies for public purposes on privately owned land should be similarly exempt.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The impact of repealing this exemption is indeterminate. No source of information could be located which indicates the total number of easements, their size, or their value. An easement may add to the value of a parcel or it may detract from the value, depending upon the activity that the easement grants.

84.36.210 - Public right-of-way easements

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1947
Primary Beneficiaries:	Governmental jurisdictions
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.230 - Interstate bridges

Description

Bridges and their approaches that cross state boundaries and are owned and operated by a bordering state or local government are exempt from property taxation within Washington. To qualify, the state owning the bridge or approach must likewise exempt all taxation of any bridges and their approaches owned and operated by the state of Washington or a local government within Washington.

Purpose

To remain consistent with regard to the taxation of government property and to avoid retaliatory taxation by adjoining states.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.614	$7.305	$7.555	$7.760
Local Taxes	$20.691	$21.636	$22.624	$23.658

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.956	$7.487	$7.560
Local Taxes	$0.000	$1.104	$2.122	$2.208

Repealing this exemption results in a state levy shift of an estimated $200,000 and a local levy shift of an estimated $21.5 million in Fiscal Year 2023.

Assumptions

The total estimated exempt value is $2.5 billion.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Washington State Department of Transportation structure data

84.36.230 - Interstate bridges

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1949
Primary Beneficiaries:	Neighboring states
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.36.240 - Soil & water conservation districts

Description

Personal property belonging solely to soil and water conservation districts is exempt from property tax, unless a district engages in contract work for parties other than landowners or cooperators of the district.

Purpose

Assists what is essentially a quasi-governmental activity.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.007	$0.007	$0.007	$0.008
Local Taxes	$0.020	$0.021	$0.022	$0.023

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.005	$0.008	$0.008
Local Taxes	$0.000	$0.001	$0.002	$0.002

Repealing this exemption results in minimal state levy shift and a local levy shift of an estimated $21,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $2.5 million.
- The assessed value of personal property exempt under this statute remains constant.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Washington State Conservation Commission

84.36.240 - Soil & water conservation districts

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1963
Primary Beneficiaries:	45 soil and water conservation districts
Taxpayer Count:	45
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.250 - Nonprofit water cooperatives

Description

Property tax does not apply to real and personal property owned by a nonprofit corporation or cooperative association that distributes water to shareholders or members.

Purpose

Providing equal treatment for private, nonprofit and public work distributors and districts.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.192	$0.212	$0.219	$0.225
Local Taxes	$0.601	$0.628	$0.657	$0.687

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.115	$0.218	$0.220
Local Taxes	$0.000	$0.032	$0.062	$0.064

Repealing this exemption results in a state levy shift of an estimated $220,000 and a local levy shift of an estimated $623,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $72.7 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.250 - Nonprofit water cooperatives

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	533 parcels owned by water corporations or cooperatives
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.36.255 - Habitat and water quality improvements

Description

Taxpayers may apply for a property tax exemption for improvements to real and personal property devoted to fish and wildlife habitat restoration and protection and to water quality and quantity improvements. To qualify, the improvements must be in accordance with a local conservation district's written plan for best management practices.

Purpose

Encourages improvement of fish and wildlife habitat and water quality/quantity.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.002	$0.002	$0.002	$0.002
Local Taxes	$0.006	$0.006	$0.006	$0.006

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.001	$0.002	$0.002
Local Taxes	$0.000	$0.001	$0.001	$0.001

Repealing this exemption results in a minimal state and local levy shift in Fiscal Year 2023.

Assumptions

The total estimated exempt value is $700,000.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast.
- State property tax levy model
- County assessors

84.36.255 - Habitat and water quality improvements

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1997
Primary Beneficiaries:	Parcels owned by landowners who invest in habitat improvements
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.36.260 - Nonprofit conservation and open space lands

Description

Property tax does not apply to real property owned by nonprofit corporations or associations used exclusively for the conservation of ecological systems, natural resources, or open space, including park lands. The primary purpose of the nonprofit organization is conducting or facilitating scientific research or conserving natural resources or open space for the general public. The land must be dedicated to these purposes or be subject to an option to purchase by a governmental entity.

Purpose

Encouraging the preservation of open space land and supporting the activities of nature preservation and conservation organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.564	$0.623	$0.644	$0.662
Local Taxes	$1.764	$1.845	$1.928	$2.016

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.337	$0.638	$0.644
Local Taxes	$0.000	$0.094	$0.181	$0.188

Repealing this exemption results in a state levy shift of an estimated $17,000 and a local levy shift of an estimated $1.83 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $214 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1967
Primary Beneficiaries:	533 public parks
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

84.36.300 - Goods in transit

Description

Merchandise, goods, wares, and materials are exempt from property tax if they are manufactured outside Washington by the current owner and shipped into the state or acquired by the current owner from another in-state manufacturer, and subsequently exported in substantially the same form they were brought into the state (although repackaging, relabeling, etc. may take place here). Items exempted include aircraft parts and accessories, but not engines or major structural components, installed in Washington.

Purpose

Encourages trade and promotes economic growth.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of this statute would not impact tax revenues or taxpayers.

Assumptions

Goods in transit are exempt under the business inventories exemption, RCW 84.36.477.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1961
Primary Beneficiaries:	Wholesalers of goods passing through the state and manufacturers of aircraft
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.36.350 - Nonprofit sheltered workshops

Description

Property tax does not apply to real or personal property used by a nonprofit corporation to operate a sheltered workshop for individuals with disabilities, including property used for manufacturing and handling, selling, or distributing goods constructed, processed, or repaired in the workshop and any inventory and raw materials.

Purpose

Supporting the social benefits and rehabilitative opportunities provided by the workshops.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.269	$0.297	$0.308	$0.316
Local Taxes	$0.844	$0.882	$0.922	$0.964

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.161	$0.305	$0.308
Local Taxes	$0.000	$0.045	$0.087	$0.090

Repealing this exemption results in a state levy shift of an estimated $8,000 and a local levy shift of an estimated $874,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $102 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.350 - Nonprofit sheltered workshops

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	64 parcels owned by sheltered workshops
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.36.381 - Senior and disabled homeowners exemption

Description

Retired senior citizens (aged 61 or more), disabled homeowners, and veterans entitled to and receiving compensation from the U.S. Department of Veterans Affairs with a total disability rating for a service-connected disability with incomes equal to or less than Threshold level I are exempt from all excess property taxes levied on their principal residence. Those with an income equal to Threshold level II but greater than Threshold III are also exempt on all regular property tax levies on the first $50,000 of the residence's assessed value or 35 percent of the value up to a maximum of $70,000, whichever is greater. Homeowners with incomes equal to or less than Threshold III are exempt from all regular levies on the first $60,000 of assessed value or 60 percent of the value (with no maximum), whichever is greater.

The valuation of qualified homeowners remains unchanged as of January 1, 1995, or January 1 of the first assessment year, the homeowner qualifies for the property tax exemption. To qualify for the valuation freeze, homeowners must have household income equal to or less than Threshold level I.

Income thresholds are based on a percentage of the County's Median Household Income and adjusted every five years.

Any surviving spouse, surviving domestic partner, heir, or devisee of a person who was receiving an exemption at the time of the person's death will qualify if the surviving spouse, surviving domestic partner, heir, or devisee is fifty-seven years of age or older and otherwise meets the requirements.

Purpose

Provide property tax relief to low-income, retired or disabled homeowners.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$60.196	$72.704	$75.154	$77.385
Local Taxes	$201.562	$229.911	$240.468	$252.070

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

84.36.381 - Senior and disabled homeowners exemption

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$39.339	$74.450	$75.182
Local Taxes	$0.000	$8.911	$17.187	$18.006

Repealing this exemption results in a state levy shift of an estimated $2.2 million and a local levy shift of an estimated $234.1 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $21.4 billion.
- Average frozen value of homes qualifying for this exemption will grow at 1.4 percent annually.
- Number of participants in this program remains constant.
- The share of exempt value that is exempt from regular levies remains constant.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1967
Primary Beneficiaries:	Homeowners who are senior citizens, disabled veterans, surviving spouses and partners who qualify for this program
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.400 - Home improvements

Description

Once every five years, physical improvements to existing single family residential structures are eligible for a three year property tax exemption following completion. The exemption is limited to improvements totaling 30 percent or less of the structure's value at the time the work commenced.

Purpose

To encourage homeowners to upgrade their residences.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.270	$0.298	$0.309	$0.317
Local Taxes	$0.846	$0.885	$0.925	$0.967

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.162	$0.307	$0.310
Local Taxes	$0.000	$0.045	$0.087	$0.090

Repealing this exemption results in a minimal shift in the state levy and a local levy shift of an estimated $880,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $112.8 million.
- Ratio of home improvement exempt value to total improvement value in counties that reported are representative of non-reporting counties.

Data Sources

- County abstract report
- State property tax levy model
- Economic and Revenue Forecast Council's March 2019 forecast

84.36.400 - Home improvements

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1972
Primary Beneficiaries:	Owners of single family dwellings who improve their home
Taxpayer Count:	Approximately 1500 homeowners
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.36.451 - Public property leaseholds

Description

Private rights to use or occupy property owned by the federal government, the state of Washington and its subdivisions, and federally recognized Indian tribes, is exempt from property taxation. Individuals and businesses that lease public or tribal property are instead subject to the leasehold excise tax based on the rental value of the lease.

Purpose

To ensure that lessees of public property pay only leasehold excise tax and not personal property tax on the value of the lease.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	($23.506)	($22.591)	($22.407)	($22.191)
Local Taxes	$7.992	$9.444	$11.084	$12.914

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	($29.027)	($22.538)	($22.576)
Local Taxes	$0.000	($30.008)	($28.310)	($28.303)

Repealing this exemption results in a state levy shift of an estimated $0.38 million and a local levy shift of an estimated $41.2 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $5.3 billion.
- Since the leasehold excise tax is considered a tax in lieu of property taxes, it would be repealed along with the repeal of this exemption.
- Estimates are net of state and local leasehold excise tax. Because the state leasehold excise tax rate is proportionately greater than the local rate compared with the property tax rates, a shift of tax burden from the state to local jurisdictions would take place, if the exemption were eliminated.

84.36.451 - Public property leaseholds

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1976
Primary Beneficiaries:	Private lessees of publicly owned property, port districts and state tidelands
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

84.36.470 - Agricultural products

Description

All agricultural products, as defined in RCW 82.04.213, grown or produced for sale by a person on lands owned or leased by the producer are exempt from property tax. Marijuana is not an agricultural product.

Purpose

To assist the agricultural economy.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$19.885	$20.978	$20.828	$20.555
Local Taxes	$62.313	$62.126	$62.360	$62.651

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$11.143	$21.088	$21.304
Local Taxes	$0.000	$3.109	$5.849	$5.846

Repealing this exemption results in a state levy shift of an estimated $750,000 and a local levy shift of an estimated $56.8 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $7.8 billion.
- Value of agricultural products will remain stable.

Data Sources

- U.S. Department of Agriculture
- Economic and Revenue Forecast Council March 2019 forecasts
- State property tax levy model

84.36.470 - Agricultural products

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1984
Primary Beneficiaries:	Agricultural producers, processors, and shippers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report 2015

84.36.477 - Business inventories

Description

Business inventories, including most products held for sale, are exempt from property tax.

Purpose

To stimulate the economy and help to make Washington competitive with neighboring states that eliminated personal property taxes on business inventories.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$219.211	$238.050	$242.921	$247.349
Local Taxes	$686.205	$705.003	$727.411	$754.037

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$128.021	$242.282	$244.694
Local Taxes	$0.000	$35.714	$68.230	$70.361

Repealing this exemption results in a state levy shift of an estimated $2.7 million and a local levy shift of an estimated $683.7 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $84 billion.
- Market value of business inventories in Washington will grow at the forecasted rate of national business inventories.

Data Sources

- 2012 Economic Census of the U.S.
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.477 - Business inventories

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1974
Primary Beneficiaries:	Manufacturers, wholesalers, and retailers
Taxpayer Count:	36,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

84.36.480 - Nonprofit fair associations

Description

Property taxes do not apply to real and personal property owned by a nonprofit fair association eligible to receive support from the fair fund that sponsors or conducts a county fair.

The exemption also applies to nonprofit fair associations organized under RCW 24.06 if the nonprofit purchased or acquired the majority of the property from a county or city between 1995 and 1998.

The exemption applies to properties valued at no more than $15 million. Loaning or renting the property to private concessionaires in conjunction with a fair does not nullify the exemption if the rental charges are reasonable and used for operating and maintaining the property. If any portion of the property is rented for more than 50 days during a calendar year, the rental income becomes subject to leasehold excise tax beginning January 1, 2019.

Purpose

To support county agricultural fairs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.038	$0.042	$0.044	$0.045
Local Taxes	$0.120	$0.125	$0.131	$0.137

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.023	$0.043	$0.044
Local Taxes	$0.000	$0.006	$0.013	$0.013

Repealing this exemption results in a state levy shift of an estimated $2,000 and a local levy shift of an estimated $124,000 in Fiscal Year 2023.

84.36.480 - Nonprofit fair associations

Assumptions

The total estimated exempt value is $14.5 million.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1975
Primary Beneficiaries:	26 parcels owned by fair associations
Taxpayer Count:	11
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

84.36.487 - Air pollution control facilities

Description

Air pollution control equipment that is constructed or installed at a thermal electric generating facility after May 15, 1997, is exempt from property tax. To qualify, the generating facility must have begun operation between January 1, 1970, and July 1, 1975.

Purpose

To encourage thermal electric generating facilities to reduce air pollution emissions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers take advantage of this tax preference, therefore impacts cannot be disclosed.

Data Sources

Department of Revenue, Property Tax Division

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Owners of the Centralia steam plant
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.36.500 - Conservation futures on agricultural land

Description

Property tax does not apply to conservation futures of unlimited duration on agricultural lands owned by any nonprofit corporation or association. To qualify, the primary purpose of these organizations must be the conservation of agricultural lands and the prevention of converting these lands to non-agricultural uses.

Purpose

Encouraging the retention of farm lands in urban transitional areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on county data, no taxpayers are currently taking this exemption.
- No taxpayers will take the exemption during the next four years.

Data Sources

County assessor data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1984
Primary Beneficiaries:	Nonprofit organizations acquiring development rights to agricultural land and owners of agricultural land
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

84.36.510 - Mobile homes in dealer's inventory

Description

Property tax does not apply to mobile homes in a dealer's inventory and held solely for sale in the ordinary course of the dealer's business. The exemption does apply to taxes already levied or delinquent on the mobile home when it becomes part of a dealer's inventory.

Purpose

Helps make Washington competitive with neighboring states that eliminated personal property taxes on business inventories.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.058	$0.067	$0.073	$0.078
Local Taxes	$0.183	$0.199	$0.218	$0.238

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. The small change in tax rate from removing the exemption for additional participants results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.038	$0.071	$0.072
Local Taxes	$0.000	$0.011	$0.021	$0.022

Repealing this exemption results in a state levy shift of an estimated $7,000 and a local levy shift of an estimated $216,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $26.0 million.
- Percent of nationwide shipments of mobile homes to Washington is similar to when tracking stopped in 2013.

Data Sources

- U. S. Census data for inventory and average sales price
- State property tax levy model

84.36.510 - Mobile homes in dealer's inventory

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Business owners
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

84.36.550 - Nonprofit fund-raising

Description

Property tax does not apply to real and personal property owned by nonprofit organizations that solicit gifts, donations, or grants if:

- The organization is nonsectarian;
- A state or national group that authorizes, approves, or sanctions volunteer charitable fund-raising efforts affiliates with the nonprofit organization;
- The organization is exempt from federal income tax;
- The organization has a volunteer board of directors; and,
- The organization uses gifts, donations, and grants for character-building, benevolent, protective, or rehabilitative social services to people of all ages for distribution to at least five other nonprofit organizations or associations that are organized and conducted for the same purposes listed above.

Purpose

Supporting the fund-raising activities of these nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.106	$0.117	$0.121	$0.124
Local Taxes	$0.330	$0.345	$0.361	$0.377

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.063	$0.120	$0.121
Local Taxes	$0.000	$0.018	$0.034	$0.036

Repealing this exemption results in a state levy shift of an estimated $3,000 and a local levy shift of an estimated $342,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $40 million.

84.36.550 - Nonprofit fund-raising

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	12 parcels owned by nonprofit fund raising organizations
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

84.36.560 - Nonprofit low-income rental housing

Description

Property tax does not apply to real and personal property owned or leased by a "nonprofit entity" that provides rental housing for very low-income households, or that provides space for placing a mobile home for very low-income households in a mobile home park if:

- The exemption benefits the "nonprofit entity;"
- At least 75 percent of the occupied dwelling units are occupied by very low-income households;
- Housing is insured, financed, or assisted through one or more of the following sources:
  - A federal or state housing program administered by Department of Commerce;
  - A federal or state housing program administered by a city or county government;
  - A local affordable housing property tax levy;
  - Local surcharges for homeless housing and assistance; or,
  - Washington State Housing Finance Commission (WSHFC) provided financing for a mobile home park cooperative or a manufactured housing cooperative.

The nonprofit entity may also receive a partial exemption if very low-income households occupy less than 75 percent of the housing units provided.

Purpose

Encouraging the construction and use of housing for very low-income households.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$11.473	$12.672	$13.105	$13.461
Local Taxes	$35.891	$37.529	$39.243	$41.037

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

84.36.560 - Nonprofit low-income rental housing

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.861	$12.986	$13.114
Local Taxes	$0.000	$1.914	$3.681	$3.829

Repealing this exemption results in a state levy shift of an estimated $347,000 and a local levy shift of an estimated $37.2 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $4.35 billion.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1999
Primary Beneficiaries:	1243 parcels of rental housing
Taxpayer Count:	160
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.570 - Nonprofit demonstration farms

Description

Property tax does not apply to all real and personal property of a demonstration farm used by a research and education program of a state university and owned by a nonprofit organization, corporation, or association if:

- The property is no more than 50 acres;
- The nonprofit organization, corporation, or association is a 501(c)(3);
- The farm includes research and extension facilities, a public agricultural museum and an educational tour site used by a state university for agricultural research and education programs;
- Income from the sale of agricultural products furthers the purpose of the nonprofit organization; and,
- Exempted property must be used exclusively for the purpose of the exemption.

Purpose

Enabling the continued operation of a demonstration cranberry farm by Washington State University in Pacific County.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.002	$0.002	$0.002	$0.002
Local Taxes	$0.006	$0.006	$0.006	$0.006

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.002	$0.002	$0.002
Local Taxes	$0.000	$0.001	$0.001	$0.001

Repealing this exemption results in minimal state levy shift and a local levy shift of an estimated $5,000 in Fiscal Year 2023.

84.36.570 - Nonprofit demonstration farms

Assumptions

Total estimated exempt value is $700,000.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County assessor parcel data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1999
Primary Beneficiaries:	4 parcels owned by demonstration farms
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.575 - Emergency medical aircraft

Description

Property tax does not apply to aircraft if it is owned by a 501(c)(3) nonprofit organization, provides emergency medical transportation services, and the benefit of the exemption is realized by the nonprofit that owns the aircraft.

The exemption expires January 1, 2020.

Purpose

Reduces the costs to nonprofit organizations of owning emergency medical transportation aircraft.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.020	$0.020	$0.000	$0.000
Local Taxes	$0.059	$0.057	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in a state levy shift of an estimated $1,000 and a local levy shift of an estimated $109,000 in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $13.9 million.

Data Sources

- Aircraft Bluebook: Volume 19-1, Spring 2019
- County assessor data
- Department of Revenue nonprofit exempt property tax system
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1925
Primary Beneficiaries:	6 nonprofit emergency medical transport
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.590 - Vitrification equipment

Description

Personal property located on land owned by the U.S. government at the Hanford reservation is exempt from property tax if it is used exclusively in the performance of a privatization contract to pre-treat, treat, vitrify or immobilize tank waste. The personal property must be used by the person who has a privatization contract to perform tank waste clean-up operations at the Hanford Reservation.

Purpose

Supports nuclear waste clean-up activities at Hanford.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There is no privately owned vitrification equipment operating at the Hanford site and the U.S. Department of Energy will own any future equipment.
- Any equipment owned by U.S. government is exempt under RCW 84.36.010.

Data Sources

Hanford Vitrification Plant website

84.36.590 - Vitrification equipment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2000
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.595 - Motor vehicles, trailers, and campers

Description

Motor vehicles, travel trailers, and campers are exempt from property tax.

Purpose

Ensures that property tax does not apply to vehicles.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$108.443	$119.772	$123.863	$127.234
Local Taxes	$339.244	$354.720	$370.920	$387.881

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$64.856	$122.744	$123.954
Local Taxes	$0.000	$18.093	$34.791	$36.194

Repealing this exemption results in a state levy shift of an estimated $3.3 million and a local levy shift of an estimated $351.7 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $41.1 billion.
- All vehicles in Washington are registered with the state and are therefore represented in the database maintained by the Department of Licensing.

Data Sources

- Auto Alliance - Washington State facts
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- Department of Licensing database

84.36.595 - Motor vehicles, trailers, and campers

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2000
Primary Beneficiaries:	Individuals and businesses who own vehicles
Taxpayer Count:	7,700,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.600 - Custom computer software

Description

Custom computer software, except for embedded software, is exempt from property tax. Custom software is software designed for a specific need for a single person or group of persons. Also exempt are master or golden copies of software, retained rights in computer software and modifications to prewritten software.

Purpose

To recognize the administrative difficulties in valuing such software and to achieve uniform tax treatment in all counties.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.284	$4.732	$4.893	$5.027
Local Taxes	$13.402	$14.014	$14.654	$15.324

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.563	$4.849	$4.896
Local Taxes	$0.000	$0.715	$1.400	$1.400

Repealing this exemption results in a state levy shift of an estimated $129,000 and a local levy shift of an estimated $13.9 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $1.62 billion.
- Exempt value will grow at a rate consistent with the growth rate of the market value of property.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports
- County assessors survey
- Bureau of Labor Statistics, Consumer Price Index

84.36.600 - Custom computer software

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Businesses that own custom computer software
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.36.605 - Regional transit authority sales and leasebacks

Description

Property tax does not apply to the real and personal property of a regional transit authority (RTA) subject to sale and leaseback arrangements. An RTA may sell facilities, trains, and buses, then lease them back from the investor.

Purpose

Provides the RTA with assistance in acquiring and financing trains, buses, and facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

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Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No impact, RTA is not using sale and leaseback arrangement due to a change in IRS rules.

Data Sources

Sound Transit

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2000
Primary Beneficiaries:	Sound Transit
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.630 - Farm machinery (state levy)

Description

Personal property in the form of machinery and equipment owned by a farmer and used in growing and producing agricultural products is exempt from the state property tax only. This includes additional state property tax for the support of Common Schools. Farm machinery is still subject to local property tax levies.

Purpose

Reduces the property tax burden for farmers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.211	$3.546	$3.667	$3.767
Local Taxes	$10.044	$10.502	$10.982	$11.485

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.920	$3.635	$3.670
Local Taxes	$0.000	$0.536	$1.030	$1.072

Repealing this exemption results in a state levy shift of an estimated $97,000 and local levy shift of $10.4 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $1.22 billion.
- 5 year average exempt value will continue growth at the same rate as property market value growth rate.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- State levy abstracts (2014-2018)

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Farmers
Taxpayer Count:	5,300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.36.635 – Anaerobic digesters

Description

All buildings, machinery, equipment, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from property tax. Applications for anaerobic digesters must be filed by December 31, 2024. The exemption is valid for six years and may not be renewed.

Purpose

Encourages the use of anaerobic digesters to promote renewable natural gas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

There are no known taxpayers taking this exemption; a repeal of the exemption would not increase state or local revenue.

Assumptions

- Original period for taking exemption applications expired December 31, 2012.
- In 2018, legislation passed for this exemption with an effective date of July 1, 2018, and an expiration date of December 31, 2024.
- Any exemption issued prior to the end of 2012 are now expired and no applications have been submitted since the passage of new legislation.

84.36.635 – Anaerobic digesters

Data Sources

County assessors survey

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Operators of an anaerobic digester
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.640 - Wood biomass fuel production facilities

Description

Real and personal property used primarily to manufacture wood biomass fuel is exempt from property tax. This includes additional property tax for the support of common schools. The exemption extends to land upon which the property is located and that is reasonable necessary in the manufacturing of wood biomass. Land used to grow crops used for such fuel is not subject to the exemption. The exemption is for the first six years following the date the manufacturing facility or addition to an existing manufacturing facility becomes operational. Claims must be filed with the county assessor before December 31, 2015.

Purpose

To encourage the manufacturing of alternatives to petroleum-based fuels.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Exemption is not being used. The last date to apply for the exemption was December 31, 2015.
- This exemption does not apply to the state levy.

Data Sources

County assessor data

84.36.640 - Wood biomass fuel production facilities

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1931
Primary Beneficiaries:	Manufacturers of wood biomass fuel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.36.645 - Semiconductor materials manufacturing after $1 billion investment - Machinery and equipment

Description

Machinery and equipment exempt from sales and use tax under RCW 82.08.02565 or 82.12.02565 used in manufacturing semiconductor materials is exempt from property tax. The exemption is contingent upon the siting of a significant semiconductor fabrication facility with an investment of at least $1 billion in buildings and equipment in Washington. The exemption expires January 1, 2024, unless the contingency in RCW 82.32.790(2) occurs.

Purpose

Encourages the retention of existing semiconductor firms in Washington and attracts similar businesses to this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No facilities qualify for this exemption and none will locate in Washington during the forecast period.

Data Sources

County assessor data

84.36.645 - Semiconductor materials manufacturing after $1 billion investment - Machinery and equipment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1959
Primary Beneficiaries:	None, no firms qualify for the exemption
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

84.36.650 - Nonprofit fund-raising to support artists

Description

Property tax does not apply to real and personal property owned by a nonprofit organization that raises funds to support individual artists if:

- The organization is nonsectarian;
- The organization is a 501(c)(3), The organization has at least 8 board members;
- The organization uses funds for grants, fellowships, information services, or education resources for individual artists; and,
- If the property is leased, the exemption's benefit is realized by the lessee.

Purpose

Assisting nonprofit organizations that support artists.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	M	M	M	M
Local Taxes	M	M	M	M

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	M	M	M
Local Taxes	$0.000	M	M	M

Repealing this exemption results in minimal revenue impacts.

Assumptions

Total estimated exempt value is $88,000.

Data Sources

- County assessor data
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

84.36.650 - Nonprofit fund-raising to support artists

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2003
Primary Beneficiaries:	1 nonprofit organization
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

84.36.655 - Aircraft facilities, port property

Description

Facilities used to manufacture superefficient airplanes which are located on property owned by a port district are exempt from property tax. The exemption covers buildings, machinery, equipment and other personal property owned by a lessee of port district property.

This exemption is not available if the manufacturer takes the B&O tax credit provided by RCW 82.04.4463. This exemption expires July 1, 2040.

Purpose

Encourages establishment of a super-efficient airplane manufacturing facility in Washington. This exemption presumes that such a facility would be located on port district property. As such, it addresses the personal property component of the facility, since the real property is likely to be publicly-owned.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption is not being used, any property covered under this RCW is already exempt under property or leasehold excise tax credit against B&O tax (82.04.4463).

Data Sources

None

84.36.655 - Aircraft facilities, port property

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Any manufacturer of a super-efficient airplane locates a facility on port district property
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

84.36.660 - Sprinkler systems in nightclubs

Description

Prior to December 1, 2009, owners or qualified lessees of nightclubs who install sprinkler systems could apply for a property tax exemption for up to ten years on the increase in market value attributable to the sprinkler system. In 2007, all nightclubs are required to install automatic sprinkler systems by December 1, 2009.

Purpose

Encourage the installation of automatic sprinkler systems in night clubs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- After December 31, 2009, no new applications were accepted.
- This exemption can only be taken for 10 years after the application has been accepted; no properties are taking this exemption in 2019.

Data Sources

None

84.36.660 - Sprinkler systems in nightclubs

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Owners of nightclubs
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.665 - Military housing

Description

Qualifying privately owned military housing is exempt from property tax.

Purpose

Supports privatization of military housing on federal land.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Improvement value of exempt property will grow at the property market value growth rate.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County assessor parcel data

84.36.665 - Military housing

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	7 owners of military housing projects awarded under the military housing privatization initiative
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.36.670 - Multipurpose senior citizen centers

Description

One or more contiguous real property parcels and personal property owned by a senior citizen organization are exempt from taxation, if the property is used for the actual operation of a multipurpose senior citizen center. This includes property loaned or rented to the multipurpose senior center. The exempt property may be used for fund-raising events and activities.

Purpose

To provide tax relief to senior citizen organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.014	$0.015	$0.016	$0.016
Local Taxes	$0.043	$0.045	$0.047	$0.049

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.008	$0.015	$0.016
Local Taxes	$0.000	$0.002	$0.005	$0.005

Repealing this exemption results in a minimal state levy shift and a local levy shift of an estimated $45,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $5.20 million.
- Exempt value will grow at a rate consistent with the growth rate of the market value of property.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County assessor data

84.36.670 - Multipurpose senior citizen centers

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1871
Primary Beneficiaries:	8 parcels owned by a senior citizen organization
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.37.030 - Low-income homeowners tax deferral

Description

A homeowner may defer 50 percent of special assessments and real property taxes if the homeowner:

- Owns the house for more than five years and lived in the house as of January 1 of the year taxes are due;
- Has a combined disposable income of $57,000 or less in the calendar year prior to filing;
- Total amount deferred cannot exceed 40% of the amount of the claimant's equity value in the residence;
- Already paid half of the taxes due for the year; and,
- Has enough fire and casualty insurance to protect the interests of the state.

The homeowner can't defer special assessments or property taxes under RCW 84.38.030 and this program at the same time and can only defer up to 40 percent of his or her equity in the property. The state reimburses local taxing districts for the local property taxes deferred under this program.

Purpose

Relieving the property tax burden of persons with limited incomes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.040	$0.042	$0.044	$0.046
Local Taxes	$0.119	$0.124	$0.129	$0.135

Repeal of exemption

Repealing this property tax exemption would increase state revenues. Unlike most property tax exemptions, it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state reimburses local taxing districts for the local property taxes deferred under this program.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.166	$0.173	$0.181
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state reimburses local taxing districts for the local property taxes deferred under this program.

Assumptions

- Number of participants taking deferrals remain constant for the study period.
- Growth in the average deferral will increase by 4.4 percent annually.

Data Sources

- County assessor data

- State property tax levy model

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Low income homeowners
Taxpayer Count:	65
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

84.38.030 - Senior and disabled homeowners tax deferral

Description

A homeowner may defer 80 percent of special assessments and real property taxes if the homeowner:

- Meets all requirements for an exemption for the residence under RCW 84.36.381;
- Is 60 or older by December 31 of the deferral claim year, or is retired due to physical disability;
- Has a combined disposable income of 75 percent or less of the county median household income;
- Has enough fire and casualty insurance to protect the interests of the state;
- Owned, at the time of filing, the residence upon which the special assessment and /or real property taxes are imposed;
- If claiming a special assessment deferral, opted for installment payments if available; and,
- Any surviving spouse, surviving domestic partner, heir, or devisee of a person who was receiving a deferral at the time of the person's death qualifies if the surviving spouse or surviving domestic partner is fifty-seven years of age or older and otherwise meets these requirements.

The state reimburses local taxing districts for the local property taxes deferred under this program.

Purpose

Relieve the property tax burden of low-income, elderly, or disabled persons.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.390	$0.390	$0.390	$0.390
Local Taxes	$1.180	$1.180	$1.180	$1.180

Repeal of exemption

Repealing this property tax deferral would increase state revenues. Unlike most property tax exemptions it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state reimburses local taxing districts for the local property taxes deferred under this program.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.570	$1.570	$1.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state reimburses local taxing districts for the local property taxes deferred under this program.

84.38.030 - Senior and disabled homeowners tax deferral

Assumptions

None.

Data Sources

- County assessor data
- ESSB 5160 from 2019 legislative session
- State property tax levy model

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1975
Primary Beneficiaries:	Senior and disabled homeowners
Taxpayer Count:	640
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.39.010 - Veteran widows and widowers

Description

Widows or widowers of a veteran qualify for a property tax exemption, in the form of a grant, if they:

- Meet all requirements under the senior citizens exemption program (RCW 84.36.381), other than the income limits; and,
- Are 62 or older by December 31 of the exemption claim year or retired due to physical disability and the veteran:
  - Died from a service-related disability;
  - Was 100 percent disabled by the U.S. Veterans Administration for at least the last 10 years prior to the veteran's death;
  - Was a prisoner of war and rated 100 percent disabled for at least 1 year prior to the veteran's death, or died while on active duty or in active military status.

In addition, the widow or widower of a veteran must not have:

- Remarried; and,
- A combined disposable income of more than $40,000.

The grant equals the amount of regular and special property tax levies imposed on the difference between the value of the residence that is eligible under the senior citizens exemption program and the following:

- If disposable income is less than $30,000, the first $100,000 of residential value;
- If disposable income is between $30,000 and $35,000, the first $75,000 of residential value; or,
- If disposable income is between $35,000 and $40,000, the first $50,000 of residential value.

Purpose

Providing property tax relief to survivors of deceased veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.001	$0.001	$0.001	$0.001
Local Taxes	$0.004	$0.004	$0.004	$0.004

Repeal of exemption

Repealing this property tax exemption would increase state revenues. Unlike most property tax exemptions it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state provides a grant for the state and local property taxes deferred under this program.

84.39.010 - Veteran widows and widowers

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.002	$0.005	$0.005
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state provides a grant to the taxpayer for the state and local property taxes deferred under this program.

Assumptions

None.

Data Sources

- County assessor data
- Department of Revenue Veteran Widow/Widower Program

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005
Primary Beneficiaries:	Widows or widowers of veteran
Taxpayer Count:	33
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

84.40.030(3) - Growing crops

Description

The value of agricultural land on January 1 does not include growing crops for property tax purposes. This exemption does not apply to marijuana.

Purpose

The harvesting of most crops prior to January 1 prevents them from being subject to property tax. This exemption provides equal treatment for the few crops that may still be growing in the ground, principally winter wheat and fall barley.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.093	$0.102	$0.106	$0.109
Local Taxes	$0.291	$0.302	$0.316	$0.331

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.054	$0.103	$0.105
Local Taxes	$0.000	$0.015	$0.030	$0.031

Repealing this exemption results in a state levy shift of an estimated $155,000 and a local levy shift of an estimated $300,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $35.4 million in Fiscal Year 2018; this value is much less than in 2016, because barley value of production was negative.
- Agricultural crops growing in the ground on January 1 are exempt under RCW 84.40.030(3); Most of these crops are winter wheat, barley, and onions.
- 25 percent of costs - excluding seed costs - have been incurred by January 1 for crops that are in the ground on January 1; the value of these crops is equal to the market value of the finished crop less the estimated remaining cost.

84.40.030(3) - Growing crops

Data Sources

- USDA National Agricultural Statistics Service
- USDA Economics Research Service: Economics of Food, Farming, Natural Resources, and Rural America
- University of Wisconsin Extension
- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1890
Primary Beneficiaries:	Farmers who have crops growing on January 1
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

84.40.037 - Prewritten computer software

Description

Computer software, except embedded software, is subject to property tax on 100 percent of the purchase price in the first year following purchase and on 50 percent of the cost in the second year. Thereafter, it is exempt from property tax.

Purpose

Recognizes the rapid obsolescence of software and the difficulty of establishing accurate depreciation schedules for the myriad of software programs. Also, it helps provide uniformity of taxation throughout the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.864	$4.268	$4.414	$4.534
Local Taxes	$12.089	$12.640	$13.217	$13.822

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.310	$4.373	$4.417
Local Taxes	$0.000	$0.645	$1.240	$1.290

Repealing this exemption results in a state levy shift of an estimated $117,000 and a local levy shift of an estimated $12.5 million in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $1.46 billion.
- For counties that did not respond to a survey issued by Department of Revenue in 2016, the estimated assessed value of exempt property is equal to the ratio of exempt value to total assessed value for reporting counties.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports
- Survey of county assessors

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Businesses that own canned software
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

84.40.130(3) - Personal property tax penalty waiver

Description

During the 2012 Legislative Session, the Legislature passed a personal property tax amnesty program allowing counties to optionally waive penalties for the failure to list taxable personal property with the county assessor. The penalty waiver applied to assessment years 2011 and prior and to receive a waiver, the taxpayer had to apply by July 1, 2012. Also, all taxes had to be paid by September 1, 2012.

Purpose

Provided a window of opportunity for businesses to add to their list of taxable personal property without penalty.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this penalty waiver would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 2012, the amnesty program added $18.3 million in market value to the state property tax roll and $19.7 million in market value to local property tax rolls. The $1.4 million difference is agricultural machinery and equipment exempt from state property taxes.
- Garfield, King, and Thurston Counties offered amnesty.
- Amnesty was offered one time and results in no continuing revenue impact.

Data Sources

Garfield, King, and Thurston counties assessor and treasurer data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2012
Primary Beneficiaries:	Business owners in Garfield, King and Thurston counties
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.40.220 - Nursery stock

Description

Nursery stock not grown in the ground (e.g. pots/bags) is exempt from property tax.

Purpose

To provide tax treatment for nursery stock that is equivalent to growing crops.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.433	$0.479	$0.495	$0.508
Local Taxes	$1.354	$1.416	$1.481	$1.549

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.258	$0.488	$0.493
Local Taxes	$0.000	$0.072	$0.139	$0.144

Repealing this exemption results in a state levy shift of an estimated $662,000 and a local levy shift of an estimated $1.40 million in Fiscal Year 2023.

Assumptions

Total estimated exempt value is $164 million.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- U.S. Department of Agriculture National Agricultural Statistics Service

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1971
Primary Beneficiaries:	Owners of approximately 440 nurseries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

84.56.020(19) - Waiver of interest and penalties for qualified taxpayers subject to foreclosure

Description

No earlier than 60 days prior to being three years delinquent, the treasurer must waive all outstanding interest and penalties on delinquent taxes on a property subject to foreclosure action under chapter 84.64 RCW when the following requirements are met:

- Taxpayer is income-qualified under RCW 84.36.381(5)(a);
- Taxpayer occupies the property as their principle place of residence; and,
- Taxpayer has not previously received a waiver on the property as provided under this subsection.

Purpose

Provides relief for residential property owners to avoid foreclosure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not impact the state school levy but would increase the local revenue. Repealing this exemption does not shift the property tax on to others.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

This exemption results in no revenue impact to the state property tax levy.

Assumptions

Revenue impact at the local level is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Individual
Year Enacted:	2020
Primary Beneficiaries:	Residential property owners delinquent on property tax
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.56.025 - Delinquency penalty and interest waivers

Description

County treasurers must waive interest and penalties on delinquent property taxes when:

- Notice was not sent to the taxpayer due to an error by the county. Interest and penalties are reinstated if the taxpayer fails to pay delinquent taxes within thirty days of receipt of proper notice;
- The taxpayer fails to make one payment on their personal residence due to death of their spouse; or,
- The taxpayer fails to make one payment on their parent's or stepparents personal residence due to death of their parent or stepparent.

County treasurers, at their discretion, may waive interest and penalties on delinquent property taxes when:

- The taxpayer pays an erroneous amount due to an error by the taxpayer.

Purpose

Provides relief for taxpayers in cases of errors or hardships.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.090	$0.090	$0.090	$0.090

Repeal of exemption

Repealing this exemption would not impact the state school levy but would increase the local revenue. Repealing this exemption does not shift the property tax on to others.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.090	$0.090	$0.090

Repealing this exemption will not result in a state or local levy shift.

Assumptions

- Average property tax owed for households claiming this waiver is about $4,200.
- Total number of households claiming this waiver total 250 per year.
- No growth in the amount of penalties and interest waived each year.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- County abstract reports

84.56.025 - Delinquency penalty and interest waivers

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1984
Primary Beneficiaries:	Property owners who may owe interest and penalties in these circumstances
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

84.56.335 - Mobile homes possessed by landlords

Description

Property tax does not apply to a manufactured home or park model trailer worth less than $8,000 if the landlord of the manufactured home park takes ownership and submits a signed affidavit to the assessor indicating an intent to resell or rent the home and:

- The manufactured home or park model trailer has been abandoned; or,
- A final judgment regarding the manufactured home or park model trailer for restitution of the premises under RCW 59.18.410 executes in favor of the landlord and the title transfers to the landlord.

All future taxes are the responsibility of the owner of the manufactured, mobile home or park model trailer.

Purpose

Allows manufactured home park owners to renovate and rent or sell abandoned homes without the responsibility of back property taxes, interest, and penalties owed by the previous owner.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Repealing this exemption would result in an additional small increase in local revenue due to the collection of penalties that are waived under the exemption.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

84.56.335 - Mobile homes possessed by landlords

Assumptions

Revenue impact is indeterminate but believed to be minimal.

Data Sources

County assessors and treasurers

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Manufactured home park owners
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

84.70.010 - Destroyed property

Description

Property damaged by a disaster as declared by the Governor or county legislative authority may have its value reduced by the difference in fair market value before and after the disaster if the difference is greater than twenty percent.

Purpose

To provide relief for taxpayers when natural disasters destroy property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.060	$0.064	$0.063	$0.062
Local Taxes	$0.189	$0.188	$0.189	$0.190

Repeal of exemption

Both parts of the state property tax levy remain rate-based through 2021 and revert to a budget-based property tax system in 2022. Removing an exemption effective July 1, 2020, results in a gain to both parts of the state levy. The gain continues in 2022 and beyond because removing the exemption increases the starting point of each levy for future tax calculations.

Removing a property tax exemption does not shift state property taxes through 2021. However, beginning in 2022, the taxes of additional participants that qualify would shift to other taxpayers. The models used to measure shifting taxes assume the new tax rate will be different than the current tax rate. For many exemptions, the small change in the tax rate from removing the exemption for additional participants, results in no reportable shifts.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.034	$0.064	$0.065
Local Taxes	$0.000	$0.010	$0.018	$0.018

Repealing this exemption results in a state levy shift of an estimated $3,000 and a local levy shift of an estimated $172,000 in Fiscal Year 2023.

Assumptions

- Total estimated exempt value is $23.5 million.
- Annual estimated value will remain at or near the average exempt value through Fiscal Year 2023.
- Percentage of all destroyed real property is 0.0019 percent in King county.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- State property tax levy model
- County abstract reports
- King County property tax roll data

84.70.010 - Destroyed property

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1974
Primary Beneficiaries:	Owners of property impacted by a natural disaster
Taxpayer Count:	64
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

Chapter 18
Public Utility Tax

35.58.560 - METRO transit expenditures

Description

Metropolitan municipal corporations may request a refund of the motor vehicle fuel tax paid on each gallon fuel used for urban passenger transportation systems. The entire trip is disqualified from the refund if the trip goes more than six road miles beyond the corporate limits of the Metro boundaries.

Purpose

To support public transportation systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.131	$0.131	$0.131	$0.131
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.120	$0.131	$0.131
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth in this exemption.
- July 1, 2020, effective date, 11 months of cash collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Municipal transit corporations
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.16.020(1)(d) - Urban transportation

Description

Urban transportation businesses are subject to the public utility tax at a rate of 0.642 percent. The public utility tax rate for most other forms of transportation is 1.926 percent.

Urban transportation businesses operate vehicles for public use to convey persons or property for hire either entirely:

- Within a city or within five miles of the city;
- Within and between cities that are not more than five miles apart; or,
- Within five miles of the corporate limits of either.

Purpose

Reduces costs for local transit authorities and qualifying businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.070	$6.473	$6.903	$7.361
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.934	$6.903	$7.361
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 7 percent based on 10 year average.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Local transit systems, taxi companies, intra-city delivery businesses
Taxpayer Count:	2,550
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.16.020(1)(e) - Vessels under 65 feet in length

Description

Vessels under sixty-five feet in length, except tugboats, operating upon the waters within the state are subject to the public utility tax at a rate of 0.642 percent. The public utility tax rate for most other forms of transportation is 1.926 percent.

Purpose

Provides tax relief for small vessels transporting persons or goods within Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.040	$0.040	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.037	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 1 percent based on 10 year average.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Water transportation businesses
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.16.020(1)(h) - Log transportation businesses

Description

RCW 82.16.020 provides log transportation businesses a preferential public utility tax rate of 1.28 percent (but with the surcharge, equates to 1.3696 percent). This preference is effective August 1, 2015.

"Log transportation business" is the business of transporting logs by truck, except when such transportation meets the definition of urban transportation business or occurs exclusively upon private roads.

Purpose

Supports the forest products industry by providing permanent tax relief by lowering the public utility tax rate attributable to log transportation businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.838	$0.874	$0.906	$0.941
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.801	$0.906	$0.941
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Tax rate difference between 1.926 percent and 1.3696 percent is the measure of tax savings.
- Growth mirrors March 2019 forecast for other public service businesses public utility tax.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Log haulers
Taxpayer Count:	700
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.16.040 - Minimum income threshold - $2,000 per month

Description

The public utility tax does not apply to a business whose total gross income is less than $2,000 per month. Public utility tax applies to the total monthly gross income if it equals or exceeds $2,000 per month.

Purpose

To encourage new or small public utility businesses and for administrative convenience.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.911	$1.982	$2.053	$2.127
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.817	$2.053	$2.127
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Washington State Economic and Revenue Forecast Council March 2019 forecast.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Small public service and utility firms
Taxpayer Count:	1,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2008

82.16.0421 - Electricity sold to electrolyte processors

Description

Utility companies providing electricity to producers of chlor-alkali or sodium chlorate do not pay public utility tax on the electricity used to produce those compounds. The exemption expires on June 30, 2029, and does not apply to sales of electricity made after December 31, 2028.

Purpose

Supports the chemical industry which supplies the pulp and paper industry with sodium chlorate used for bleaching pulp in white paper products. Electricity is a prime raw material component in the processing of the product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Firms in the electrolytic processing business
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.045; 82.34.060(2) - Pollution control facilities

Description

Provides a credit against public utility tax for up to 50 percent of the cost of required pollution control facilities. The total annual credit is limited to 2 percent of the cost of such facilities.

Purpose

To encourage pollution control and to compensate existing companies for the costs they incur to meet upgraded pollution standards.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would possibly increase revenues. Taxpayers may argue that they have a vested right to credits currently being taken that were authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The entire credit is taken against B&O tax.
- Revenue impact is included under the B&O credit found in RCW 82.04.427.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.16.046 - 2nd Narrows bridge

Description

A public utility tax exemption is allowed on income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated under RCW 47.46. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts any tolls received by the operator of the bridge from public utility tax.

Purpose

Lower the overall cost of operating the bridge.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Tolls will be received by the state, not the firm contracted to collect the tolls. Income derived from the operation of state route 16 does not fall under the public utility tax classifications.

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service; there is no impact on public utility tax.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed expedited report in 2014

82.16.047 - Ride-sharing and special needs transportation

Description

Ride sharing receipts are exempt from public utility tax for:

- Vanpools and carpools used for commuter ride sharing; and,
- Public social service agencies or private, nonprofit transportation providers that transport persons with special transportation needs.

Purpose

Reduces motor vehicle fuel consumption and traffic congestion by promoting commuter ride sharing, and supports nonprofit organizations that provide group transportation services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.742	$0.783	$0.826	$0.871
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.718	$0.826	$0.871
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Twenty percent of the trips are out-of-county.
- Income from providing these services result from government funding.
- Growth mirrors the cost of funding provided for these services.

Data Sources

Health Care Authority Non-Emergency Medical Transportation Program

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit transportation providers and public transportation systems providing transportation services
Taxpayer Count:	139
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.16.0491 - Rural electric utility contributions

Description

A light and power business may take a credit up to $25,000 per year against public utility tax for up to 50 percent of the contributions made to an electric utility rural economic development revolving fund. In order to qualify, the revolving fund must be for a county with a population density of fewer than 100 persons per square mile, a county smaller than 225 square miles, or any geographic area in the state that receives electricity from a light and power business with 12,000 or fewer customers. Total tax credits for all qualifying businesses are limited to $350,000 annually. A qualifying light and power business can carry over unused credits to subsequent years. The right to earn new tax credits expired on June 30, 2011.

Purpose

To improve economic, health, and safety conditions, and facilitate conservation and development of renewable energy resources, in qualifying rural areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption will not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit expired June 30, 2011.

Data Sources

Department of Revenue public utilities tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Light and power companies
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.0495 - Electricity sold to direct service industry (DSI)

Description

Sales of electricity from a gas turbine electrical generation facility to a direct service industrial (DSI) customer are eligible for a public utility tax credit if such sales will be made for at least ten consecutive years and the price of the electricity will be reduced by an amount equal to the credit. The tax credit lasts for 60 months following the first qualifying sale of electricity. The DSI customer must maintain existing employment levels for at least five years to qualify. A DSI customer is an industrial customer that purchases power from the Bonneville Power Administration (BPA) for its own consumption.

Purpose

To encourage DSI customers to continue manufacturing in Washington after their power supply contracts with the BPA expire by switching to power from newly constructed power facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.16.0496 - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O tax or PUT for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75 percent of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than ten years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington State license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50 percent of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. The credit for infrastructure is limited to $2 million dollars annually.

On September 1 of each year, any unused credits from any category must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

82.16.0496 - Alternative fuel commercial vehicle tax credit

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.150	$0.170	$0.200	$0.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.156	$0.200	$0.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Based on credit taken, annual growth is 15% and includes the alternative fuel infrastructure.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing commercial clean alternative fuel vehicles or converting used commercial vehicles principally powered by clean alternative fuel
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O tax or PUT for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75 percent of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; is less than ten years past the original manufacturing date; is modified after the initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington State license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50 percent of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. The credit for infrastructure is limited to $2 million dollars annually.

On September 1 of each year, any unused credits from any category must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

82.04.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Unable to separate the credit relating to alternative fuel vehicle infrastructure from the commercial vehicles. See RCW 82.16.0496(1) revenue details.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.0497 - Billing discounts provided to low-income households - Credit

Description

A light and power business or a gas distribution business may take a credit against public utility tax for up to 50 percent of billing discounts provided to low-income households or qualified contributions to a low income home energy assistance fund.

To qualify for the credit, the business must give billing discounts or qualifying contributions in excess of 125 percent of those given in fiscal year 2000 (or the first year the business provided billing discounts or qualified contributions). The total amount of credits available for all businesses is $2.5 million annually.

Purpose

To reduce energy costs for low income persons.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.500	$2.500	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.300	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Eleven months of collections due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Electric and gas municipalities and corporations
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.0498 - Aluminum smelter purchases of power

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; the revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum industry
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.16.0499 - Hiring veterans

Description

This preference provides employers a Public Utility Tax (PUT) tax credit for hiring unemployed veterans. However, no business may claim a credit against taxes due under both B&O and PUT taxes for the same employee.

The credit equals 20 percent of wages and benefits paid up to a maximum of $1,500 for each qualified employee hired on or after October 1, 2016. No credit may be claimed until a qualified employee has been employed for at least two consecutive calendar quarters. The total statewide credit cap is $500,000 per fiscal year. Credits are earned through June 30, 2022. No credits can be claimed after June 30, 2023.

Purpose

Encourage businesses to hire veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.007	$0.011	$0.016	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.010	$0.016	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers continue to learn about this credit and this increase the credit approved by 38 percent each year through Fiscal Year 2022.
- Taxpayers continue to take approximately 55 percent more credit each year through Fiscal Year 2022 and take the remaining credit in Fiscal Year 2023.

Data Sources

Department of Revenue excise tax credit data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses that hire veterans and veterans
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.050(1) - Municipal utilities receipts from taxes

Description

Municipally owned or operated public service businesses may deduct amounts received directly from local taxes levied for their support from their gross income subject to the public utility tax.

Purpose

To avoid taxing amounts derived from local utility taxes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.765	$0.788	$0.811	$0.836
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.722	$0.811	$0.836
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Special Assessment totals will grow based on the average growth rate of previous years.
- Special Assessment amounts for utilities will be approximately one-third of the total of special assessments.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

State Auditor's report on special assessments for cities/towns

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Municipal utilities which finance utility capital construction through assessments or taxes levied on property
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.050(2) - Sales for resale

Description

Businesses may deduct amounts derived from sales of commodities to persons in the same public service business that resell the commodity within the state from their gross income subject to the public utility tax. The deduction is available only to water distribution, gas distribution, or other public service businesses which furnish water, gas, or any other commodity in the performance of public service businesses.

Purpose

To avoid pyramiding of the public utility tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.585	$3.769	$3.960	$4.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.455	$3.960	$4.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council forecast data for March 2019.

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Natural gas and water utilities
Taxpayer Count:	86
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.16.050(3) - Joint utility services

Description

A business may deduct from gross income subject to public utility tax payments made to another business subject to public utility tax for services jointly provided by both businesses.

Purpose

To eliminate pyramiding of the public utility tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$18.445	$19.129	$19.812	$20.533
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$17.535	$19.812	$20.533
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Firms that jointly provide utility services to customers
Taxpayer Count:	637
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.050(4) - Cash discounts

Description

A business may deduct cash discounts taken by customers from gross income subject to public utility tax when the business's gross income reported includes these cash discounts.

Purpose

The deduction recognizes the true value of services performed by the business.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although taxpayers who use accrual-based accounting report this deduction and thus, experience savings, the state would not achieve revenue gains if the deduction is repealed. Taxpayers using cash basis accounting do not need to use the deduction; they report the actual amount receive at the time of sale. Taxpayers who use accrual-based accounting would likely switch to cash basis accounting if the deduction is repealed.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.16.050(5) - Bad debts

Description

A business may deduct bad debts from the gross income subject to public utility tax if these amounts were previously subject to tax.

Purpose

The deduction ensures equal treatment between taxpayers that use accrual basis accounting and those that use cash basis accounting.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.632	$1.632	$1.632	$1.632
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.496	$1.632	$1.632
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No annual growth is assumed.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Any firm using accrual method of accounting and experiences unpaid debts
Taxpayer Count:	135
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2008

82.16.050(6) - Constitutional exemptions

Description

A business may deduct amounts prohibited from taxation under the Washington State Constitution, the U.S. Constitution, or federal law from gross income subject to public utility tax.

Purpose

To reflect the supremacy of the Washington State Constitution, the U.S. Constitution, and federal law.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$36.948	$37.985	$38.836	$39.786
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Transportation activity in Washington will continue at rates as shown in the economic forecast.

Data Sources

- International Registration Plan, Inc. (IRP) clearing house data for vehicle count of out of state motor carriers entering Washington
- Average per vehicle distance charts obtained from individual states' Departments of Motor Vehicle (DMV) or Licensing
- Association of American Railroads www.aar.org
- Economic and Revenue Forecast Council PUT forecast for Railroad and Motor Transportation
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation companies
Taxpayer Count:	4,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.050(6) - Interstate transportation - In-state portion

Description

Businesses may deduct income the state constitutionally cannot tax from gross income subject to the public utility tax. Under current practice, this deduction includes income received by transportation businesses when a trip either begins or ends outside of Washington. For example, income received from a trip from Seattle to Coeur d'Alene, Idaho is eligible for the deduction.

Purpose

To avoid taxing transportation businesses that cross state borders.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$32.868	$33.520	$34.125	$34.757
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$30.727	$34.125	$34.757
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Carrier activity in Washington will continue at rates from embedded in the economic forecast.

Data Sources

- International Registration Plan, Inc. clearing house data for vehicle count of out of state motor carriers entering Washington
- Average per vehicle distance charts obtained from individual states' Departments of Motor Vehicle (DMV) or Licensing
- Association of American Railroads www.aar.orgEconomic and Revenue Forecast Council PUT forecast for Railroad and Motor Transportation
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation companies
Taxpayer Count:	4,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.16.050(7) - Irrigation water

Description

A business may deduct amounts derived from the distribution of water through an irrigation system (other than the irrigation of marijuana as defined in RCW 69.50.101) from gross income subject to public utility tax.

Purpose

To lower the cost of water for farming.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.402	$2.526	$2.655	$2.787
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.315	$2.655	$2.787
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021
- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.

Data Sources

- Economic & Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Irrigation districts and their customers
Taxpayer Count:	89
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

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 from the public utility tax is for instate portions 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

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayer savings and state revenue impacts are included in exemption study estimate for RCW 82.16.050.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Shippers of goods passing through the state
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.16.050(9) - Interstate transportation - Shipments to ports

Description

Businesses may deduct income derived from transporting products from a point within Washington to an export elevator, wharf, dock, or vessel from gross income subject to public utility tax, if a vessel then ships the products, without any intervening transportation, in their original form outside of the state. The deduction does not apply if this shipment occurs within the same city.

Purpose

To avoid taxing products that are exported out of the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$12.268	$12.527	$12.792	$13.063
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$11.483	$12.792	$13.063
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the public utility tax growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Center for Transportation Analysis, Oak Ridge National Laboratory, Freight Analysis Framework Tool
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Shippers of goods passing through the state
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.16.050(10) - Farm products shipped to ports

Description

Businesses may deduct income derived from the transportation of agricultural commodities from points within Washington to interim storage facilities in this state for trans-shipment, without intervening transportation, to an export elevator, wharf, dock, or vessel from gross income subject to public utility tax, if a vessel then ships the commodities, without any intervening transportation, in their original form outside of the state. The deduction only applies if:

- More than 96 percent of all agricultural commodities delivered by the person claiming the deduction and delivered by all other persons to the commodity dealer's interim storage facilities during the preceding year was shipped by vessel in original form outside the state; and,
- Any of the commodities that are trans-shipped to ports 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

To avoid taxing the shipment of agricultural products for export outside of the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.266	$0.266	$0.266	$0.267
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.244	$0.266	$0.267
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 0.02 percent based on 20 years of data.

Data Sources

- Washington State University Eastern Washington Intermodal Transportation Study
- U.S. Department of Agriculture, 2018 Annual Statistical Bulletin for Washington
- U.S. Department of Agriculture, Transportation Research & Analysis, Grain Transportation, Barges
- U.S. Department of Agriculture Grain Transportation Report, June 2019

82.16.050(10) - Farm products shipped to ports

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Persons who transport grain and other agricultural products
Taxpayer Count:	1,429
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.16.050(11) - Electric power exported or resold

Description

A business may deduct amounts derived from the production, sale, or transfer of electricity for resale within or outside of the state or for consumption outside of the state from gross income subject to public utility tax.

Purpose

To avoid taxing interstate commerce and to avoid pyramiding of the public utility tax on in-state sales of electricity for resale.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$16.256	$16.955	$17.635	$18.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of the exemption would result in increased revenue due from the sale of electricity for resale within Washington. However, exported electricity is exempt from taxation under the commerce clause and no revenue can be realized regardless of this statue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$15.542	$17.635	$18.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the Public Utility Tax growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Energy Information Association, 2017 Annual Electric Power Industry report
- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Light and power businesses and power marketers
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.16.050(12) - Nonprofit water associations

Description

A business may deduct amounts derived from the distribution of water by a nonprofit water association and used for capital improvements by the association from gross income subject to public utility tax.

Purpose

Promotes capital improvements and expansion of water distribution systems operated by nonprofit associations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.554	$0.583	$0.612	$0.643
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.534	$0.612	$0.643
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Nonprofit water utility companies are using the deduction code, and not subtracting capital improvement amounts from their report gross income.

Data Sources

- Economic & Revenue Forecast Council data, March 2019
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1977
Primary Beneficiaries:	Nonprofit water associations and their members
Taxpayer Count:	76
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.16.050(13) - Sewerage processing and disposal

Description

A sewerage collection business may deduct payments to a business subject to B&O tax for the treatment or disposal of sewage from gross income subject to public utility tax.

Purpose

To ensure that payments for the treatment or disposal of sewage are not subject to public utility tax and B&O tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.948	$11.344	$11.766	$12.194
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.399	$11.766	$12.194
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic & Revenue Forecast Council data, March 2019
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1987
Primary Beneficiaries:	Sewerage collection firms
Taxpayer Count:	31
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.16.050(14) - Transit improvements for low-income and elderly

Description

Public transportation agencies are allowed a deduction from gross income subject to public utility tax for income derived from fees or charges imposed for transit services. The deduction amount must be used to adjust routes to improve access for citizens to food banks and senior services or to extend or add new routes to assist low-income citizens and seniors.

Purpose

To promote better transit services for low-income and elderly persons.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.163	$0.163	$0.163	$0.163
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.149	$0.163	$0.163
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assume no growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue deduction data for transit and ground passenger transportation

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2006
Primary Beneficiaries:	Public transportation agencies
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.053 - Electric power sold in rural areas

Description

A light and power business may deduct from gross income subject to the public utility tax the lesser of the amounts listed below:

- A percentage of wholesale power cost paid during the reporting period depending on the number of customers per mile of line;
  - 50 percent of wholesale power cost if the business has fewer than 5 ½ customer per mile of line;
  - 40 percent if the number of customers per mile of line is between 5 ½ and 11;
  - 30 percent if the number of customers per mile of line is between 11 and 17; or,
  - Zero if the number of customers per line is greater than 17.
- Wholesale power cost multiplied by the percentage by which the average retail electric power rates for the light and power business exceed the state average electric power rate; or,
- $400,000 monthly.

Purpose

To reduce electricity costs in areas with geographically dispersed customers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.161	$1.211	$1.259	$1.310
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.110	$1.259	$1.310
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic & Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

82.16.053 - Electric power sold in rural areas

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Public utility districts, power and light cooperatives and rural electric associations and their customers
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.16.055 - Cogeneration facilities and renewable resources

Description

Businesses may take a deduction from gross operating income subject to public utility tax for the cost of producing electricity from cogeneration and electricity or gas produced from renewable energy resources. Businesses may also deduct amounts expended to improve energy efficiency or the use of electricity or gas by consumers. The deduction applies only to new facilities constructed between June 12, 1980, and January 1, 1990. The deduction related to cogeneration is limited to 30 years after the project's initial operation.

Currently less than 3 taxpayers take this deduction. Per interpretation by Department of Revenue, this deduction is available after January 1, 2020, only for qualifying projects for the cost of production at the plant for consumption within Washington State, RCW 82.16.050(a). It is not an available deduction as it applies to RCW 82.16.055 (b), improvements for consumer's efficiency of energy end use.

Purpose

To encourage energy conservation and the use of renewable energy.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit from this deduction.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1980
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.16.130 - Renewable energy system cost recovery

Description

A light and power business may take a credit against public utility tax for amounts paid to customers as investment cost recovery incentives for renewable energy systems. The credit for a fiscal year may not exceed one and one-half percent of the business's 2014 calendar year taxable power sales or $250,000, whichever is greater. The right to earn tax credits expires June 30, 2029. Credits may not be claimed after June 30, 2030.

Purpose

To encourage investment in renewable energy resources.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$48.150	$48.150	$13.750	$13.750
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$44.138	$13.750	$13.750
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Participants in the old program receive repayments through June 30, 2021.
- Repayment term under the new program is eight years or half the systems cost whichever is reached first. Based on Washington State University (WSU) energy's annual payment calculations, the majority of the participants will receive repayments for eight years.
- The new program has reached the $110 million overall cap. WSU energy is no longer reviewing new certification applications as of June 14, 2019.

Data Sources

- Department of Revenue excise tax data
- WSU Energy Program

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Light and power companies that make payments to customers via this program
Taxpayer Count:	45
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.16.185 - State energy performance standard early adoption incentive program

Description

Light, power, and gas distribution businesses are allowed a PUT credit equal to:

- Incentive payments made in any calendar year under the incentive program;
- Documented administrative costs, not to exceed eight percent of the incentive payments.

Purpose

Increase energy efficiency and the use of renewable fuels that reduce the amount of greenhouse gas emissions in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$3.193
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$3.193
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Applications for incentive payments will be received by the Department of Commerce, beginning Calendar Year 2021.
- Based on data provided by the Department of Commerce, PUT credits will be claimed beginning Calendar Year 2023.
- Building owner participation will increase over time.

Data Sources

- Washington State Department of Commerce
- City of Seattle, Office of Sustainability & Environment, Seattle Energy Benchmarking
- Northwest Energy Efficiency Alliance, Commercial Building Stock Assessment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Light and power businesses and gas distribution businesses
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	JLARC has not reviewed

82.16.300 - Hauling farm products for relatives

Description

Income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal is exempt from public utility tax.

The exemption currently expires on December 31, 2020.

Purpose

To provide tax relief for persons who haul farm products for their relatives.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Situations where this exemption would be applicable are rare.
- While the impact cannot be quantified, it is likely minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1974
Primary Beneficiaries:	Persons who haul farm products for their relatives
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

82.16.305 - Joint municipal utility authority

Description

Payments between or transfer of assets to or from a joint municipal utility service authority and its members are exempt from public utility taxes.

Purpose

To improve the ability of local governments to provide utility services to the public by reducing the cost of such services. However, the intent is not to expand the types of services provided by local governments or their utilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The revenue impact is indeterminate since there is no publicly available data.

Data Sources

The Washington State Secretary of State's Office

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Joint municipal utility services authorities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.315 - Electricity or gas sold to silicon smelters

Description

Persons who sell electricity, natural gas or manufactured gas to a silicon smelter are eligible to take a credit against public utility tax. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The contract for sale of electricity or gas to the silicon smelter must specify that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers are taking this credit, using Department of Revenue's data.
- A business is in the permitting process to build a silicon smelter facility in Pend Oreille County; the predicted complete date is unknown.

Data Sources

- Department of Ecology
- Pend Oreille Economic Development Council

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Utility companies selling electricity, and natural or manufactured gas to a silicon smelter
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.045(4) - Minimum to file PUT return

Description

Businesses whose gross income is less than $24,000 annually are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax or any other tax or fee which the Department is authorized to collect.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. In its absence, taxpayers would have to file returns but still would have no PUT tax liability because the PUT tax does not apply to a business whose total gross income is less than $2,000 per month under RCW 82.16.040.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Tax savings are included under the impacts of the minimum income threshold - $2,000 per month exemption, RCW 82.16.040.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Beneficiaries are small public service and utility firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or public utility tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure;
- Limited to $60 per employee per year; and,
- Limited to $100,000 each year.

The program has an annual cap of $2.75 million for both B&O and public utility tax credits, and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.110	$0.110	$0.110	$0.110
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.100	$0.110	$0.110
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Maximum total program credit allowed per year is $2,750,000 combined between the business and occupation and public utility taxes.
- Estimate is for public utility tax portion only.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue credit data

82.70.020 - Commute trip reduction credit

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting options
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.73.030 - Commercial area revitalization contributions (main street program)

Description

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial business and occupation tax credit or public utility tax credit.

The credit is either:

- 75 percent of the approved contributions made to a Main Street Program; or,
- 50 percent of the approved contributions to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $2.5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.560	$0.560	$0.560	$0.560
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.513	$0.560	$0.560
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date results in 11 months of cash collections for Fiscal Year 2021.
- Annual combined credit reported under B&O and PUT tax is capped at $2.5 million.
- Approximately 77 percent of the annual credit is taken against B&O tax with the rest against PUT, this ratio remains constant for future years.
- This estimate reflects PUT credits.

Data Sources

Department of Revenue excise tax data

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses choosing to participate commercial area revitalization
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

Chapter 19
Real Estate Excise Tax

82.45.010(3)(a) - Transfers by gift, devise, or inheritance

Description

Transfers of real property by gift, inheritance or device (a will) are not subject to state or local real estate excise tax (REET).

Purpose

Gifted, inherited, or willed transfers of real property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$71.720	$72.720	$73.540	$72.980
Local Taxes	$23.130	$23.510	$23.780	$24.400

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$66.660	$73.540	$72.980
Local Taxes	$0.000	$21.550	$23.780	$24.400

Assumptions

Eleven months of cash collections for Fiscal Year 2021 due to the July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council's March 2019 forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons acquiring real estate through a gift, devise, or inheritance
Taxpayer Count:	24,866
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(b) - Transfer on death deeds

Description	Transfers of real property through a transfer on death deed are not subject to state or local real estate excise tax.
Purpose	Provides another mechanism for tax-free transfers of real property to a beneficiary upon death by excluding transfer by transfer on death deed from the definition of sales.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No property transfers that involve this REET exemption, and will not be used during the forecast period.

Data Sources

Department real estate excise tax system

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons acquiring real estate through a death deed
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(c) - Leasehold interest transfers

Description

Leasing, subleasing, or renting real property is not subject to state or local real estate excise tax.

Purpose

Leasing or renting real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.060	$3.020	$3.010	$3.120
Local Taxes	$1.010	$1.020	$1.030	$1.060

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.770	$3.010	$3.120
Local Taxes	$0.000	$0.935	$1.030	$1.060

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons clearing title on real estate with a recorded long-term leasehold interest
Taxpayer Count:	852
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(d) - Forfeiture of interest in sale of real property

Description	Transfers of real property because of debt proceedings such as a foreclosure are not subject to state or local real estate excise tax.
Purpose	Transferring debt on real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.196	$0.185	$0.187	$0.185
Local Taxes	$0.066	$0.067	$0.068	$0.070

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.169	$0.187	$0.185
Local Taxes	$0.000	$0.061	$0.068	$0.070

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020 effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons recording a forfeiture of interest in sale of real property
Taxpayer Count:	95
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(e) - Partition by tenants in common

Description

Transferring parts of real property between multiple owners of the same property is not subject to state or local real estate excise tax.

Purpose

Transfers between owners of the same property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.740	$1.660	$1.670	$1.580
Local Taxes	$0.580	$0.590	$0.690	$0.510

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.530	$1.670	$1.580
Local Taxes	$0.000	$0.540	$0.690	$0.510

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020 effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons recording a partition or real estate held by tenants in common
Taxpayer Count:	614
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(f) - Assignment of property through divorce

Description

Transfers of real property to a spouse or domestic partner because of divorce or property settlement proceedings are not subject to state or local real estate excise tax.

Purpose

Transferring real property because of divorce is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$61.830	$58.410	$59.070	$60.530
Local Taxes	$20.870	$21.160	$21.400	$21.980

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$53.540	$59.070	$60.530
Local Taxes	$0.000	$19.400	$21.400	$21.980

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons recording an assignment of property through divorce, property settlement
Taxpayer Count:	20,977
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(g) - Transfer of vendor's interest

Description

Transferring the mortgage interest in a real property to a new mortgage vendor is not subject to state or local real estate excise tax.

Purpose

Transferring the mortgage of a real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.447	$0.454	$0.459	$0.347
Local Taxes	$0.144	$0.146	$0.148	$0.150

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.417	$0.459	$0.347
Local Taxes	$0.000	$0.134	$0.148	$0.150

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording an assignment or transfer of vendor's interest in contract
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(h) - Condemnation proceedings

Description

Transfers of real property because of a forced sale by a governmental body are not subject to state or local real estate excise tax.

Purpose

Transferring real property through "eminent domain" is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.660	$7.100	$7.180	$7.310
Local Taxes	$1.530	$1.570	$1.590	$1.630

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.510	$7.180	$7.310
Local Taxes	$0.000	$1.440	$1.590	$1.630

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording an assignment because of a condemnation proceeding
Taxpayer Count:	746
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(i) - Transfer of interest to secure debt

Description

Transfers of the interest in real property by acquiring a second mortgage or the sale of a mortgage is not subject to state or local real estate excise tax.

Purpose

Transferring the interest in real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.047	$0.044	$0.046	$0.044
Local Taxes	$0.016	$0.016	$0.016	$0.016

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.041	$0.046	$0.044
Local Taxes	$0.000	$0.015	$0.016	$0.016

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a transfer of interest to secure debt
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(j) - Foreclosure; deeds in lieu of foreclosure

Description

Transfers of real property because of a foreclosure are not subject to state or local real estate excise tax.

Purpose

Transferring real property through foreclosure is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.350	$4.410	$4.460	$4.700
Local Taxes	$1.400	$1.420	$1.440	$1.480

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.050	$4.460	$4.700
Local Taxes	$0.000	$1.300	$1.440	$1.480

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1953
Primary Beneficiaries:	Persons recording a transfer for foreclosure and deeds in lieu of foreclosure
Taxpayer Count:	2,006
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(k) - Mortgage insurers

Description

Transfers of real property from a mortgage lender to the Veterans Administration or Federal Housing Authority are not subject to state or local real estate excise tax.

Purpose

Transferring the interest in a property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.866	$0.806	$0.815	$0.867
Local Taxes	$0.295	$0.299	$0.303	$0.311

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.739	$0.815	$0.867
Local Taxes	$0.000	$0.274	$0.303	$0.311

Assumptions

11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1953
Primary Beneficiaries:	Persons recording a transfer for a mortgage insurer
Taxpayer Count:	354
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(l) - Transfer where REET already paid or lease/contract began prior to 1951

Description

Transfers of real property for which REET taxes have already been paid or through a lease that began prior to 1951 are not subject to state or local real estate excise tax.

Purpose

Transferring real property as a 99 year lease is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- There are too few sales to estimate impact in counties not reporting electronically.
- 11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a transfer where REET was already paid or lease/contract began prior to 1951
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(m) - Grave or cemetery lot sale

Description

Transferring real property by selling a cemetery lot is not subject to state or local real estate excise tax.

Purpose

Transferring real property as a cemetery lot is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price. It would be difficult to decide on a market price for such a small portion of real property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.146	$0.139	$0.144	$0.151
Local Taxes	$0.050	$0.052	$0.054	$0.056

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.127	$0.144	$0.151
Local Taxes	$0.000	$0.048	$0.054	$0.056

Assumptions

- Growth rate mirrors the growth in cemetery revenues as reflected in U.S. Census Bureau's five year economic census.
- 11 months of collections in Fiscal year 2021 due to July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department of Licensing Cemetery Endowment Care Annual Report
- U.S. Census Bureau Economic Census

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a transfer for grave or cemetery lot sales
Taxpayer Count:	86
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(n) - Governmental transfers

Description

Real property sold by the federal, state, or local government is not subject to state or local real estate excise tax.

Purpose

Governments are exempt from most taxes because this just transfers funds between jurisdictions. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$19.700	$26.290	$26.580	$27.860
Local Taxes	$4.980	$5.150	$5.210	$5.360

Repeal of exemption

Repealing this exemption would increase revenues; however the federal government is constitutionally exempt from almost all state taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$24.100	$26.580	$27.860
Local Taxes	$0.000	$4.720	$5.210	$5.360

Assumptions

11 months of cash collections in Fiscal Year 2021 due to the July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a governmental transfer
Taxpayer Count:	2,106
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.45.010(3)(o) - Sales to regional transit authorities

Description

Transfers of real property to a regional transit authority through a sale and leaseback arrangement are not subject to state or local real estate excise tax. Regional transit authorities may sell facilities and then lease them back from the investor.

Purpose

Transferring real property for the purpose of leasing it back is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Exemption has not been utilized and is not expected to be utilized in the future.

Data Sources

Department of Revenue real estate excise tax administration system

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a sale to a regional transit authority
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.45.010(3)(p) - No change in beneficial owner

Description

Transfers of real property that are a mere change in form of ownership are exempt from the state and local real estate excise tax. Such transfers include transfers to business entity that is wholly owned by the person making the transfer and his or her family members, provided there is no change in beneficial ownership as a result of the transfer.

Purpose

To allow the tax-free transfer of property to a business entity in circumstances where the transferor or transferors are closely related and receive ownership interests in the entity in the same proportion as their ownership in the real property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$108.200	$122.800	$124.100	$125.100
Local Taxes	$32.000	$32.800	$33.100	$34.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$112.600	$124.100	$125.100
Local Taxes	$0.000	$30.100	$33.100	$34.000

Assumptions

Eleven months of cash collections in Fiscal Year 2021 due to the July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

82.45.010(3)(p) - No change in beneficial owner

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a sale with no change in beneficial owner
Taxpayer Count:	20,226
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.45.010(3)(q) - IRS transfers

Description

Transferring real property to form, liquidate, or reorganize a corporation or partnership is not subject to state or local real estate excise tax. This only applies to real property transfers that qualify as a non-recognition of gain or loss transaction under the Internal Revenue Code.

Purpose

Transferring real property to form, liquidate, or reorganize a corporation or partnership is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$22.500	$30.980	$31.320	$32.340
Local Taxes	$5.490	$5.680	$5.750	$5.910

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$28.400	$31.320	$32.340
Local Taxes	$0.000	$5.210	$5.750	$5.910

Assumptions

Eleven months of cash collections in Fiscal Year 2021 due to the July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a sale because of IRS transfers
Taxpayer Count:	1,013
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.45.010(3)(r) - Manufactured home communities

Description

A qualified sale of a manufactured or mobile home community that takes place before January 1, 2030, is not subject to state or local real estate excise tax.

Purpose

Encourage and facilitate the preservation of existing manufactured home communities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.015	$0.014	$0.013	$0.013
Local Taxes	$0.005	$0.005	$0.005	$0.005

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.012	$0.013	$0.013
Local Taxes	$0.000	$0.005	$0.005	$0.005

Assumptions

- There are too few sales to estimate impact in counties not reporting electronically.
- 11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a sale involving a manufactured home community
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.45.010(3)(s) - Low-income housing

Description

Transfers of real property by an organization that was allocated federal low-income housing tax credits are not subject to state or local real estate excise tax.

Purpose

To support the development of affordable housing projects. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.920	$2.710	$2.710	$2.900
Local Taxes	$0.260	$0.270	$0.270	$0.280

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.470	$2.710	$2.900
Local Taxes	$0.000	$0.250	$0.270	$0.280

Assumptions

- No impact due to disallowance or recapture of federal low-income housing credits.
- July 1, 2020, effective date, 11 months of cash collections in Fiscal Year 2021.

Data Sources

- Washington State Housing Finance Commission
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Bureau of Labor statistics

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2018
Primary Beneficiaries:	Those receiving federal low-income housing tax credits
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.45.010(3)(t)(i) - Housing for developmentally disabled persons

Description

Transfers of real property by a legal representative of a person with developmental disabilities to a qualified entity that provides residential supported living for persons with developmental disabilities are not subject to state or local real estate excise tax.

Purpose

To expand housing opportunities for persons with developmental disabilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption has not been used and it is not expected to be utilized during the forecast period of this study.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2018
Primary Beneficiaries:	Those transferring property as a legal representative of a person with developmental disabilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.45.010(3)(u) - Self-help housing

Description

Transfers of real property by an affordable homeownership facilitator of self-help housing to a low-income household are not subject to state or local real estate excise tax.

Purpose

To provide real estate excise tax relief to developers of self-help housing.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.099	$0.125	$0.126	$0.129
Local Taxes	$0.031	$0.046	$0.047	$0.048

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.115	$0.126	$0.129
Local Taxes	$0.000	$0.042	$0.047	$0.048

Assumptions

- Property value growth is half that used by the Department to determine forecasted property tax rates.
- None of these properties is agricultural or timber land.
- All self-help properties are sold at prices less than $500,000 through Fiscal Year 2023, and less than $525,000 in Fiscal Years 2024 and 2025.
- This exemption is effective October 1, 2019, causing 9 months of taxpayer savings in Fiscal Year 2020.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council's June 2019 forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

82.45.010(3)(u) - Self-help housing

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	Low-income households acquiring real estate through affordable homeownership facilitators
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.45.030(3) - Foreclosure relocation assistance

Description	For real estate excise tax (REET) purposes, "total consideration paid" does not include any outstanding lien or encumbrances in favor of a governmental body or any relocation assistance provided during a foreclosure.
Purpose	REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price. Governmental liens and relocation assistance are not part of the market price of a property.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Exemption has not be utilized and is not expected to be utilized in the future.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.45.190 - 2nd Narrows bridge

Description

A real estate excise tax exemption is provided for the transfer of state route 16 corridor transportation facilities which were constructed under Chapter 47.46 RCW. This addresses the construction of the second bridge over Puget Sound at the Tacoma Narrows.

Purpose

As originally planned, this exemption would enable transfer of the completed bridge to the private operator of the facility without incurring real estate excise tax liability.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. There are no private property transfers anticipated on the 2nd Narrows Bridge project.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption has no impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.45.195 - Standing timber

Description

Sales of timber harvested within 30 months of a severance contract are exempt from the state or local real estate excise tax.

Purpose

Providing tax relief to the wood products industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.910	$1.330	$1.340	$1.480
Local Taxes	$0.280	$0.290	$0.290	$0.300

Repeal of exemption

Repealing this exemption would subject the property to Real Estate Excise Tax, but not to B&O Tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.210	$1.340	$1.480
Local Taxes	$0.000	$0.270	$0.290	$0.300

Assumptions

- 11 months of cash collections impact in Fiscal Year 2021 with July 1, 2020, effective date.
- Taxpayers will save an estimated $1.6 million in state REET but pay an additional $250 thousand in business and occupation taxes in Fiscal Year 2021.

Data Sources

- Department excise tax data
- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Persons harvesting timber
Taxpayer Count:	45
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.45.197 - Transfers without a will

Description

Transfers of real property by inheritance, through operation of law, but absent a will, trust, or community property agreement, are not subject to state or local real estate excise tax (REET).

Purpose

Inherited transfers of real property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.516	$0.485	$0.490	$0.496
Local Taxes	$0.175	$0.177	$0.179	$0.184

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.445	$0.490	$0.496
Local Taxes	$0.000	$0.162	$0.179	$0.184

Assumptions

- There are too few sales to estimate the impact in those counties that do not report to us electronically.
- Eleven months of cash collections impact for Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Department real estate excise tax administration system
- Department integrated property tax models
- 2018 state school levy for taxes due in 2019
- Economic and Revenue Forecast Council June 2019 Forecast
- Office of Financial Management designated rural counties as of April 1, 2019
- Bureau of Labor Statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2016
Primary Beneficiaries:	Individuals inheriting property
Taxpayer Count:	180
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 20
Retail Sales and Use Tax

36.100.090 - Baseball stadium deferral

Description

Provides a sales and use tax deferral on the original construction of a public baseball stadium that:

- Is owned and operated by a public facilities district;
- Has a retractable roof; or,
- Has natural turf.

The construction of Safeco Field was completed in January 2000, and the repayments of deferred sales and use taxes were completed in 2014.

Purpose

To encourage construction of a stadium for professional baseball in King County.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The public facilities district has repaid the deferred taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, no public facilities district is using this deferral.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Public facilities districts
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

36.102.070 - Football stadium deferral

Description

Public stadium authorities are eligible to defer retail sales and use taxes on the construction of:

- Professional football and soccer stadiums; and
- Adjacent exhibition centers.

Deferred sales tax is repayable over a ten-year period, starting five years after the stadium becomes operational. Qwest Field and its exhibition center, which qualified for the deferral, were complete in 2002. Repayment began in 2007.

Purpose

Encourage the construction of a professional football and soccer stadium and adjacent exhibition center in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The public stadium authority is repaying the deferred taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, no public facilities district is using this deferral.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Public stadium authorities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

47.01.412 - Highway 520 bridge replacement

Description

Businesses involved in the 520 bridge replacement project may apply for a deferral of state and local sales and use taxes on project costs for:

- Site preparation;
- Construction; and,
- Purchased or rented machinery and equipment.

Repayment of the deferred taxes begins the fifth year after the project is complete, and continues for the following nine years.

Purpose

Encouraged replacement of the 520 bridge.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes currently deferred taxes are due beginning the fifth year after the repeal, and continuing for the next nine years. Currently, repayments of deferred taxes begin in 2021.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Repayment of deferred taxes begin in Fiscal Year 2021 and continue for the next nine years.

Data Sources

Department of Revenue deferral data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Currently Washington State Department of Transportation, plus one other entity
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

47.46.060 - 2nd Narrows bridge

Description

A ten year deferral of state and local retail sales tax for the tax due on construction of the second bridge over Puget Sound at the Tacoma Narrows. The deferral includes related road improvements and the rental of equipment used during construction. Ten percent of the deferred tax must be repaid annually beginning on December 31 of the 24th year following the certified completion of the project. Payments beginning on December 31, 2031.

Purpose

Lowering the initial overall cost of the project and to mitigate the amount of tolls necessary to fund repayment of the bonds financing construction costs of the project.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not result in increased revenues. The deferred taxes are scheduled to be repaid beginning December 31, 2031.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Repealing the deferral does not affect taxpayers that have already received the deferral under existing law.
- Deferral will begin being paid back in the 24th year after the project has been certified operationally complete by the Department of Revenue (Fiscal Year 2032).

Data Sources

2ESSB 5987 (2015), Sec. 405

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Washington State Department of Transportation
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

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 were 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 2015; and landscape maintenance, physical fitness and certain miscellaneous personal services in 1993 and 2015. 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 services were excluded from retail sales tax may have included:

- To maintain simplicity by taxing only one class of property, i.e. tangible goods;
- To conform to the practice of other states at the time;
- To minimize tax administration costs by not requiring service providers to collect the tax; and,
- A recognition that services did not represent a very large share of the state economy in the 1930s.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4,058.965	$4,148.468	$4,592.234	$4,836.302
Local Taxes	$2,298.480	$2,489.779	$2,690.442	$2,834.303

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3,802.755	$4,592.234	$4,836.302
Local Taxes	$0.000	$2,282.303	$2,690.442	$2,834.303

Assumptions

- Under the service category "Banking - deposit account service packages, and loan services" mortgage interest will be subject to sales tax.
- Some satellite and cable services are subject to sales tax. This includes services such as pay-per-view for satellite providers. The majority of potential revenue from imposing sales tax on satellite and cable would be from subscription fees for access to channels.

- Due to federal laws, local sales tax cannot be imposed on satellite television subscriptions. This estimate does not include estimates for local sales tax on satellite television subscriptions.
- For some industries there is a lower compliance factor.
- Some industries are subject to the higher education business and occupation tax surcharge created in E2SHB 2158, 2019.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- 2012 Economic Census data from the U.S. Census Bureau
- Washington State Economic and Revenue Forecast Council November 2018
- Department of Revenue excise tax data
- Department of Revenue Audit Division staff regarding the volume of sales for resale occurring in the service industry

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Individuals and businesses that purchase personal and professional services
Taxpayer Count:	184,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.050(1)(a)(iv); 82.04.190(1)(d) - Ferrosilicon

Description

The definition of retail sale excludes property used in the production of ferrosilicon which is then used to produce magnesium. These sales are classified as wholesale transactions. The exempt items must be used primarily to create a chemical reaction with an ingredient of ferrosilicon.

Purpose

To encourage magnesium production businesses to locate in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No businesses currently use this exemption and none are expected to use it in the future.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Businesses using ferrosilicon
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.050(1)(a)(v) - Competitive telephone service

Description

Purchases of property provided to consumers as part of a competitive telephone service are exempt from retail sales and use tax.

Purpose

Avoids taxing the same product twice.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$30.201	$30.805	$31.421	$32.049
Local Taxes	$13.131	$13.393	$13.661	$13.934

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$28.238	$31.421	$32.049
Local Taxes	$0.000	$11.161	$13.661	$13.934

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021
- Purchases of telecom equipment to provide to telephone service consumers will grow by 2 percent per year.
- Retail sales tax exemption would apply to telecom companies purchasing equipment for resale to consumers. Such items include cell phones, routers and modems. These types of items are taxable under wholesaling B&O.
- One quarter of telecom expenditures are for resale.

Data Sources

- Department of Revenue excise tax data
- Washington IMPLAN data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1981
Primary Beneficiaries:	Providers of telecommunication services
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.050(1)(a)(vi) - Extended warranties

Description

Purchases made to honor an extended warranty do not meet the criteria of a retail sale and are exempt from retailing B&O tax and state and local retail sales tax. Instead, these purchases are subject to wholesale B&O tax.

Purpose

Ensures buyers do not pay sales tax on replacement items or parts covered by an extended warranty.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$42.518	$44.016	$45.531	$47.069
Local Taxes	$18.522	$19.175	$19.835	$20.505

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$40.348	$45.531	$47.069
Local Taxes	$0.000	$17.577	$19.835	$20.505

Assumptions

None.

Data Sources

- Warranty Week, Fifteenth Annual Product Warranty Report
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Purchasers of extended warranties
Taxpayer Count:	30,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.050(2)(a) - Laundry services for nonprofit health care facilities

Description

Charges for laundry service for nonprofit health care facilities are exempt from retail sales tax. As a result, laundry businesses that provide services for nonprofit health care facilities are subject to B&O tax under the service classification.

Purpose

Indirectly reduces the cost of health care.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.249	$2.249	$2.249	$2.249
Local Taxes	$1.162	$1.162	$1.162	$1.162

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.062	$2.249	$2.249
Local Taxes	$0.000	$1.065	$1.162	$1.162

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Lower B&O tax rate included in estimate.
- Assume zero growth.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1973
Primary Beneficiaries:	Nonprofit health care facilities
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.050(2)(a) - Self-service laundry facilities

Description

The definition of retail sales excludes charges for the use of self-service laundry facilities. Businesses providing laundry machines on an individual use basis do not collect sales tax, but are subject to the B&O tax under the service classification.

Purpose

Equalizes the tax treatment of coin-operated laundry facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.290	$5.719	$6.183	$6.684
Local Taxes	$2.478	$2.679	$2.897	$3.132

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.564	$3.024	$3.270
Local Taxes	$0.000	$1.292	$1.524	$1.647

Assumptions

- Growth rate reflects the average growth rate for Self-Service Laundry Facilities (NAICS 812310) service and other activities B&O tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Compliance rate of 13 percent for "on-site" laundry facilities.

Data Sources

- U. S. Energy Administration 2015 Residential Energy Consumption Survey
- U. S. Census Bureau 2013-2017 American Community Survey 5-Year
- EstimatesPlanetlaundry.com
- Fiscal Year 2014-2018 Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005
Primary Beneficiaries:	Self-Service laundry facilities
Taxpayer Count:	215 (active reporters)
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.050(2)(d) - Janitorial services

Description

Retail sales tax does not apply on sales of janitorial services. The statute specifically excludes janitorial services from the definition of a retail sale, which makes them a non-retail service. A business providing janitorial services is subject to the Service and Other B&O tax classification of 1.5 percent. The customer is not subject to retail sales tax.

Janitorial services are defined as cleaning and caretaking of buildings and structures. This includes washing windows and walls, cleaning and waxing floors, and cleaning rugs, drapes and upholstery in the building.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$41.170	$43.415	$45.704	$48.148
Local Taxes	$22.144	$23.352	$24.583	$25.897

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$39.797	$45.704	$48.148
Local Taxes	$0.000	$21.406	$24.583	$25.897

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Census Bureau 2012 Economic Census data
- Washington State Economic and Revenue Forecast Council November 2018
- Department of Revenue excise tax data and Audit Division information regarding the volume of sale for resale occurring in the service industry

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2000
Primary Beneficiaries:	Janitorial service firms and their customers
Taxpayer Count:	18,300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.050(3)(d)(i) - Horticultural services for farmers

Description

The definition of retail sales excludes charges for horticultural services to farmers. Sales tax is not collected on services related to the cultivation of vegetables, fruits, grains, field crops, ornamental horticulture, nursery products, as well as soil preparation, crop cultivation and harvesting services.

Purpose

To support the farmers and the agricultural industry, and clarify the tax liability of these activities in light of the extension of sales tax to landscaping services in 1993.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$11.062	$11.615	$12.196	$12.805
Local Taxes	$3.000	$3.150	$3.308	$3.473

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.647	$12.196	$12.805
Local Taxes	$0.000	$2.625	$3.308	$3.473

Assumptions

- Seventy percent of USDA 2012 Census of Agricultural data for Washington agricultural custom work includes horticultural services performed for farmers.
- Five percent growth based on past four Agriculture Census data.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U. S. Department of Agriculture 2017 census data
- 2015 Joint Legislative Review and Audit

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1993
Primary Beneficiaries:	Farmers who receive horticultural services
Taxpayer Count:	5,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.050(3)(d)(ii) - Tree trimming under power lines

Description

The definition of retail sales excludes charges for pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or equipment. To qualify, the work performed must be 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 in that these services are not akin to landscaping but are done out of necessity to keep power lines clear of interference from trees and brush.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.705	$5.933	$6.171	$6.417
Local Taxes	$2.947	$3.065	$3.187	$3.315

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.439	$6.171	$6.417
Local Taxes	$0.000	$2.554	$3.187	$3.315

Assumptions

Activities are subject to business and occupation tax under the service classification.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1995
Primary Beneficiaries:	Firms that prune trees and brush under electric power transmission lines and the power companies that contract their services
Taxpayer Count:	Potentially 1000 landscaping businesses
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.050(6)(a)(i)-(ii) - Custom computer software

Description

The definition of a retail sale excludes charges for customized computer software. Instead, people who produce customized software are subject to B&O tax under the service & other classification.

Purpose

To reflect the fact that the production of customized software is considered a service.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$98.460	$103.870	$109.380	$115.190
Local Taxes	$42.900	$45.200	$47.600	$50.200

Repeal of exemption

Repealing this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$63.950	$75.880	$79.890
Local Taxes	$0.000	$41.500	$47.600	$50.200

Assumptions

- Repealing makes customized computer software subject to retail sales tax.
- The repeal passes effective July 1, 2020, impacting 11 months of cash collections in Fiscal Year 2021.

Data Sources

Services model and other Department data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Buyers of custom and customized canned software
Taxpayer Count:	11,600
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.050(10) - Labor and services used to construct and repair public roads

Description

The definition of retail sales excludes charges for labor and services performed on public roads and transportation facilities owned by local jurisdictions or the federal government.

A contractor for the federal government or a local jurisdiction must pay retail sales and use tax on materials incorporated into the project. The exclusion does not extend to roads owned by the state. Sales and use tax is due on 100 percent of road construction that occurs on state roads.

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 and use tax on materials is indirectly passed on to the federal government. The exemption for labor and services for local road construction helps reduce the cost for local jurisdictions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$150.370	$151.332	$154.359	$155.578
Local Taxes	$65.375	$65.793	$67.109	$67.639

Repeal of exemption

Repealing this exemption would increase revenues. Most of the impact is from local government, which would be taxed on the total contract amount. However, the federal government would not be taxed. Keep in mind that the federal government no longer owns any roads.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$138.721	$154.359	$155.578
Local Taxes	$0.000	$60.311	$67.109	$67.639

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Department of Transportation

82.04.050(10) - Labor and services used to construct and repair public roads

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1943
Primary Beneficiaries:	U.S. government, Washington cities and counties
Taxpayer Count:	604
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.04.050(11) - Feed and seed

Description

The definition of retail sales excludes sales of feed and seed 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, 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$88.933	$91.601	$94.349	$97.180
Local Taxes	$24.123	$24.846	$25.592	$26.360

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$83.968	$94.349	$97.180
Local Taxes	$0.000	$20.705	$25.592	$26.360

Assumptions

- Three percent annual growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Census of Agriculture, 2017 and National Agricultural Statistical Services data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Farmers and the vendors who supply feed and seed to farmers
Taxpayer Count:	Over 20,000 farms
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.050(11) - Fertilizer and chemical sprays

Description

The definition of retail sales excludes sales of chemical sprays and washes for the post-harvest treatment of fruit, sales of fertilizer and spray materials when 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. Fertilizer is similar to a component part (and therefore purchased for resale), because it is absorbed into or becomes an integral part of an agricultural product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$82.792	$86.932	$91.278	$95.842
Local Taxes	$22.457	$23.580	$24.759	$25.997

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$79.688	$91.278	$95.842
Local Taxes	$0.000	$19.650	$24.759	$25.997

Assumptions

- Five percent growth in cost of sprays and fertilizers.
- Local rural tax rate is equal to 1.7631 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

2017 U. S. Department of Agriculture's Agriculture Census data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Agricultural producers
Taxpayer Count:	Over 37,000 Washington Farms, actual taxpayer count is unknown.
Program Inconsistency:	Sales tax exemption helps encourage using fertilizers and chemical sprays in agriculture. Chapter 70.95C RCW implements a program directed toward reducing hazardous substances, including agricultural fertilizers and pesticides having adverse environmental impacts.
JLARC Review:	JLARC completed a full review in 2011

82.04.050(11) - Pollination agents

Description

The definition of "retail sale" excludes sales of agents for enhanced pollination including insects such as bees to persons or farmers participating in certain habitat development/conservation programs, or farmers for the purpose of producing any agricultural product for sale.

Purpose

To aid certain sectors of the agricultural industry reliant on pollination agents to produce agricultural products (such as the alfalfa industry) and make those agricultural sectors more competitive with competitors in other countries.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.018	$0.018	$0.018	$0.018
Local Taxes	$0.005	$0.005	$0.005	$0.005

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.016	$0.018	$0.018
Local Taxes	$0.000	$0.004	$0.005	$0.005

Assumptions

- Pollination is performed by leaf cutter bees.
- Most farmers rent hives. Rental hives are not subject to sales tax so this exemption covers bees purchased for pollination.
- Most bees are purchased online or from other beekeepers.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Department of Agriculture crop data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1953
Primary Beneficiaries:	Farmers that purchase leaf-cutter bees for pollination purposes
Taxpayer Count:	Less than 1,000 farms
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.050(12) - Labor and services used to construct and repair federal government structures

Description

Charges made for labor and services in connection with building, repairing or improving new or existing structures for the federal government or a local housing authority is not subject to retail sales and use tax. Also excluded are charges for moving earth and clearing land for these jurisdictions. The contractor must pay retail sales and use tax on materials incorporated into these projects.

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 federal government indirectly pays the sales and use tax through increased costs from contractors. The exemption for labor and services for local housing authorities helps reduce the cost for local jurisdictions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$66.665	$66.665	$66.665	$66.665
Local Taxes	$23.835	$23.835	$23.835	$23.835

Repeal of exemption

Repealing this exemption would not increase revenues. Most of the impact represents federal construction which would not be taxed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Washington State cannot impose taxes on the federal government, so potential revenue gain is zero.

Data Sources

- Washington State Department of Transportation
- Fedspending.org

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1975
Primary Beneficiaries:	U.S. government and municipal housing authorities
Taxpayer Count:	151
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.050(13) - RTA maintenance service agreements

Description

Tangible personal property, labor, or services provided by a transit agency to a regional transportation authority (R.T.A.) pursuant to a maintenance contract are exempt from retail sales and use taxes. 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 RTA.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.974	$4.058	$4.144	$4.231
Local Taxes	$1.728	$1.764	$1.802	$1.840

Repeal of exemption

Repealing this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.716	$4.144	$4.231
Local Taxes	$0.000	$1.470	$1.802	$1.840

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate of 2 percent annually.

Data Sources

Sound Transit financial documents, https://www.soundtransit.org/get-to-know-us/documents-reports/financial?filter=topic&590=596

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2005
Primary Beneficiaries:	Regional Transit Authority
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.062 - Precious metals and bullion

Description

Sales of precious metals and monetized bullion are exempt from retail sales tax.

Purpose

To provide tax relief to coin and bullion dealers who experience competition from dealers in other states that do not levy retail sales tax on such transactions, and to recognize the increasing frequency of these transactions over the Internet.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.384	$2.465	$2.548	$2.632
Local Taxes	$1.037	$1.072	$1.108	$1.144

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.259	$2.548	$2.632
Local Taxes	$0.000	$0.982	$1.108	$1.144

Assumptions

- Taxpayers using this exemption are properly reporting retail sales deduction on their excise tax returns and not just excluding from gross income.
- Growth rates used in this estimate are same as for all retail sales. Price of precious metals is extremely volatile and no source reliably predicts the price six years into the future.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchases of precious metals and bullion
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.192(3)(b)(i) - Digital automated service - Primarily human effort

Description

Digital automated services are classified as retail sales and are subject to retailing B&O tax. However, digital goods that primarily represent the application of human effort, such as a digitally delivered engineering report prepared primarily through the application of an engineer's effort, are excluded from this definition of digital goods and are instead subject to the service and other activities B&O tax, as long as the human effort originated after the customer requested the service.

This exclusion does not apply to amounts received by photographers for taking photographs transferred digitally to the customer, as long as the customer is the end user. These payments are considered to be for the sale of digital goods, and are subject to retail sales tax and retailing B&O tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repeal of this exemption would result in a net increase in revenues, resulting from a decrease in B&O tax revenue and an increase in retail sales tax revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Repealing this preference would have a large, but indeterminate impact. Repealing the exemption would increase revenue from an increase in retail sales tax and decrease in B&O tax revenue.

Data Sources

Department of Revenue staff

82.04.192(3)(b)(i) - Digital automated service - Primarily human effort

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Buyers and sellers of professional services
Taxpayer Count:	Large but indeterminate
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(ii) - Digital automated service - Loaning or transferring money, or transferring financial instruments

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes the loaning or transferring of money or the purchase, sale, or transfer of financial instruments, including cash, accounts receivable and payable, loans and notes receivable and payable, debt securities, equity securities, as well as derivative contracts such as forward contracts, swap contracts, and options. As a result, income from these activities is not subject to retail sales tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$188.035	$202.089	$217.195	$233.429
Local Taxes	$81.750	$87.861	$94.428	$101.486

Repeal of exemption

Repealing this exemption would reduce revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$138.956	$165.759	$178.113
Local Taxes	$0.000	$80.539	$94.428	$101.486

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- Amounts in this estimate only include 70% of the income reported under service and other activities B&O tax by businesses with NAICS starting with 523 or 525. These amounts could include income from sources not relevant to this estimate. Additionally, relevant results which do not meet the above criteria are not included in this estimate.
- Growth rate used is the average growth rate for this income for the last five years.
- 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue FY 2014-2018 excise tax return data
- Economic and Revenue Forecast Council's March 2019 forecast
- CNBC - 80% of the stock market is now on autopilot
- CNN Business - Machines are driving Wall Street's wild ride, not humans

82.04.192(3)(b)(ii) - Digital automated service - Loaning or transferring money, or transferring financial instruments

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Purchasers and sellers of financial instruments and those transferring money
Taxpayer Count:	2,400
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(iii) - Digital automated service - Dispensing cash or items from a machine

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes dispensing cash or physical items from a machine. As a result, dispensing cash or physical items from a machine are not subject to retail sales tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.231	$8.680	$9.137	$9.626
Local Taxes	$3.579	$3.774	$3.973	$4.185

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.349	$7.409	$7.804
Local Taxes	$0.000	$3.459	$3.973	$4.185

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- There are 6,869 ATMs in Washington.
- Average yearly fee income per ATM for 2018 is $17,082.Growth rate based on March 2019 forecast for service and other activities B&O.
- Fee income from ATMs is the only revenue source included in this estimate.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Starting a Passive ATM Business, Cameron Keng - Forbes (5/10/2018)
- Survey: ATM fees hit a record high for the 14th year in a row, Amanda Dixon - Bankrate (10/10/2018)
- Email from Dr. Christopher Baynard, Associate Professor and Co-Director, Center for Economic and GIS Research - University of North Florida (5/22/2019)

82.04.192(3)(b)(iii) - Digital automated service - Dispensing cash or items from a machine

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2009
Primary Beneficiaries:	Individuals that withdraw cash from an ATM
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(iv) - Digital automated service - Payment processing services

Description

Digital automated services are classified in statute as retail sales. However, statute excludes payment processing services, such as electronic credit card processing activities, from the definition of "digital automated services." As a result, payment processing services are not subject to retail sales tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$139.179	$144.272	$149.467	$154.841
Local Taxes	$60.510	$62.724	$64.983	$67.319

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$99.200	$114.070	$118.148
Local Taxes	$0.000	$57.497	$64.983	$67.319

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- 11 months of collection for Fiscal Year 2021.
- 3.1% annual growth rate for the payment processing industry.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- IBIS World, Credit Card & Money Transferring Industry in the US (April 2019)

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses which participate in payment processing
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(v) - Digital automated service - Parimutuel wagering and handicapping contests

Description

Digital automated service are retail sales. However, the definition of digital automated services excludes pari-mutuel wagering and handicapping contests as authorized by chapter 67.16 RCW. As a result, pari-mutuel wagering and handicapping contests as authorized by chapter 67.16 RCW are exempt from retail sales tax.

Purpose

To decrease costs for management of online gambling.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.069	$0.072	$0.075	$0.078
Local Taxes	$0.030	$0.031	$0.033	$0.034

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.053	$0.061	$0.064
Local Taxes	$0.000	$0.029	$0.033	$0.034

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Online sources for gambling
- Economic Revenue and Forecast Council’s March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Online software betting vendors
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(vi) - Digital automated service – Telecommunications and supporting services

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes telecommunications services and ancillary services as defined in RCW 82.04.065. While not taxable as digital automated services, telecommunications services and ancillary services as defined in RCW 82.04.065 are retail sales under RCW 82.04.050(5). Charges for these services are subject to retail sales tax.

Purpose

To decrease costs for telecommunications and supporting services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are subject to the higher education B&O tax surcharge created in E2SHB 2158, 2019.
- Due to the difficulty with separating digital automated service from other service taxable income, this estimate is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses which participate in digital automated travel agent services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(vii) - Digital automated service – Internet and Internet access

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes the internet and internet access as defined in RCW 82.04.297. As a result, charges for the internet and internet access as defined in RCW 82.04.297 are not subject to retail sales tax.

Purpose

To decrease costs for internet and internet services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$142.712	$148.726	$154.957	$161.387
Local Taxes	$62.046	$64.660	$67.369	$70.165

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$108.772	$125.662	$130.851
Local Taxes	$0.000	$59.272	$67.369	$70.165

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic Revenue and Forecast Council's March 2019 forecast
- BISWorld.com

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Customers receiving internet services
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(ix) - Digital automated service - Online education

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes online educational programs provided by a:

- Public or private elementary or secondary school; or,
- An institution of higher education as defined in sections 1001 or 1002 of the federal higher education act of 1965 (Title 20 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. An online educational program must be encompassed within the institution's accreditation.

As a result, charges for online educational programs, as described above, are not subject to retail sales tax.

Purpose

Decrease taxes for online educational programs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- Charges for online educational programs at institutions of higher education are included in tuition costs. Tuition costs are subject to service and other B&O tax, not subject to retail sales tax. There is no benefit to students of qualifying higher education institutions.
- There are minimal charges to students for online educational programs provided by public and private elementary schools.
- As a result of the assumptions above there are minimal taxpayer savings.

82.04.192(3)(b)(ix) - Digital automated service - Online education

Data Sources Department of Revenue staff

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Private and public schools, and qualifying institutions of higher education
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(x) - Digital automated service - Live presentations

Description

Digital automated services are classified as retail sales, for the purpose of the B&O tax. Live presentations via the Internet or telecommunications equipment are excluded from this definition, are subject to service and other activities B&O tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$121.240	$127.852	$134.591	$141.788
Local Taxes	$52.711	$55.585	$58.515	$61.644

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$93.506	$109.143	$114.957
Local Taxes	$0.000	$50.953	$58.515	$61.644

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate. Thirty five percent of Washington businesses perform webinars.
- On average, a business will perform 23 webinars per year, have an average attendance of 25 students per webinar, and charge an average of $76. Of these webinars, 65 percent meet the definition of “live presentation” provided in RCW 82.04.192(3)(b)(x).
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021

Data Sources

- March 2019 forecast - Economic and Revenue Forecast Council
- "B2B Content Marketing 2018 Benchmarks, Budgets, and Trends - North America" (9/27/2017) and email (6/11/2019), Content Marketing Institute"
- The 2017 Big Book of Webinar Stats" – GoToWebinar
- "Webinar Pricing Data" - Jeff Cobb, Leading Learning"2018 Webinar Benchmarks" - ON24
- Employment Security Department
- Department of Revenue excise tax data

82.04.192(3)(b)(x) - Digital automated service - Live presentations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Providers and users of live-online presentations
Taxpayer Count:	61,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(xi) - Digital automated service - Travel agent services

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes travel agent services, including online travel services, and automated systems used by travel agents to book reservations. As a result, charges for these services are not subject to retail sales tax.

Purpose

To decrease taxes for travel agent services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.728	$9.096	$9.477	$9.870
Local Taxes	$3.795	$3.954	$4.120	$4.291

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.017	$7.977	$8.307
Local Taxes	$0.000	$3.625	$4.120	$4.291

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue and Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses providing electronic travel agent services
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(xii) - Digital automated service - Online marketplace activites and services

Description

Digital automated services are retail sales. The definition of digital automated services excludes online marketplace related activities, which are services that allow the recipient of the service to make online sales of products or services, digital or otherwise, using provider's web site. Services using the recipient's website are also excluded, but only if the provider's technology is used to create or host the recipient's site, or to process orders from customers using the recipient's site. As a result, income from these activities is not subject to retail sales tax.

Purpose

To decrease taxes for online marketplace activities and services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$146.017	$158.122	$171.231	$185.426
Local Taxes	$63.483	$68.746	$74.445	$80.616

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$115.644	$138.855	$150.338
Local Taxes	$0.000	$63.017	$74.445	$80.616

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- 11 months of collections in Fiscal Year 2021.
- Estimate amounts based on service and other B&O tax reported by known marketplace businesses. These amounts could include revenue from other activities. It is possible companies performing these activities were not included.
- Growth rate used is the yearly growth rate from 2017.

Data Sources

Department of Revenue Fiscal Year 2014-2018 excise tax return data

82.04.192(3)(b)(xii) - Digital automated service - Online marketplace activites and services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Users, providers of online marketplace activities and services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(xiii) - Digital automated service - Advertising services

Description

Digital automated service are retail sales. However, the definition of digital automated services excludes advertising services. Advertising services means:

- All services directly related to the creation, preparation, production, or the dissemination of advertisements;
- Advertising services include layout, art direction, graphic design, mechanical preparation, production supervision, placement, and rendering advice to a client concerning the best methods of advertising that client's products or services;
- Advertising services also include online referrals, search engine marketing and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of web site traffic for purposes of determining the effectiveness of an advertising campaign; and,
- Advertising services do not include web hosting services and domain name registration.

As a result, advertising services, as described above are not subject to retail sales tax.

Purpose

To decrease costs for advertising services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$170.758	$177.954	$185.410	$193.104
Local Taxes	$74.239	$77.367	$80.609	$83.954

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$130.148	$150.357	$156.567
Local Taxes	$0.000	$70.920	$80.609	$83.954

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- The impact to the performance audit account is minimal.

82.04.192(3)(b)(xiii) - Digital automated service - Advertising services

Data Sources

- Economic Revenue and Forecast Council's March 2019 forecast
- Vox.com

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Customers purchasing items that include advertising services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(xiv) - Digital automated service - Storage, hosting and backup

Description

Digital automated services are classified as retail sales, for the purpose of the B&O tax and the retail sales and use tax. However, the mere storage of digital products, digital codes, computer software, or master copies of software is excluded from this definition and is instead subject to the service and other activities B&O tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$15.453	$15.898	$16.355	$16.826
Local Taxes	$6.718	$6.912	$7.111	$7.315

Repeal of exemption

Repeal of this exemption would result in a net increase in revenues, resulting from a decrease in B&O tax revenue and an increase in retail sales tax revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$11.627	$13.263	$13.642
Local Taxes	$0.000	$6.336	$7.111	$7.315

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- 11 months of collection for Fiscal Year 2021.
- One-quarter of taxpayers in the NAICS provide exempted services to their customers; for the retail sales and use tax, the taxpayer count describes the number of businesses we estimate sell exempted services, not the number of customers who benefit from the exemption.
- To estimate the amount of web hosting services purchased by Washington customers, as a percentage of the same for the U.S., the number of Washington Internet users as percentage of the U.S. total was used.
- Similarly, to estimate the amount of web hosting services purchased by U.S. customers, as a percentage of the same worldwide, the number of U.S. Internet users as percentage of the worldwide total was used.
- Amount spent on IT storage spending, as reported by Statista.com, includes cloud storage services. 20% of gross sales for web hosting, file storage and cloud services qualify for the exemption, by meeting the definition of "mere storage," as required in statute.

82.04.192(3)(b)(xiv) - Digital automated service - Storage, hosting and backup

Data Sources

- Department of Revenue excise tax data (FY2018), source for taxpayer count
- U.S. Census Bureau: Computer and Internet Access in the U.S.: 2012 source for Internet usage statistics.
- International Telecommunications Union: worldwide Internet usage statistics.
- IbisWorld (2019) U.S. Internet Hosting Services Industry is source for worldwide sales figures for web hosting services and corresponding growth rates.
- Statista.com (2016). Forecast information technology (IT) storage spending worldwide from 2013 to 2019 (in billion U.S. dollars). Source for estimated sales figures for IT storage and cloud storage and corresponding growth rates.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Purchasers of storage, hosting and backup services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.192(3)(b)(xv) - Digital automated service - Data processing

Description

Digital automated services are classified as retail sales and are subject to retailing B&O tax. However, data processing services are excluded from the definition of digital automated services, so they are instead subject to the service and other activities B&O tax classification. Data processing services includes automated services to extract information from customer-supplied data including check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$15.895	$16.372	$16.862	$17.368
Local Taxes	$6.911	$7.118	$7.331	$7.551

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.003	$13.707	$14.116
Local Taxes	$0.000	$6.525	$7.331	$7.551

Assumptions

- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from businesses paying the retailing rather than service rate.
- 11 months of collections for Fiscal Year 2021.
- Growth rate used in this estimate is the growth rate for service and other activities, NAICS 541214, for the last four years.
- Data used in this estimate was service and other activities B&O tax amounts reported by businesses assigned NAICS 541214 (Payroll Services). It is possible this amount includes services which qualify for this exemption and unrelated amounts. It is likely payroll processing services are performed by businesses not assigned to this NAICS code, they were not captured in this estimate.
- Data for businesses performing check processing, image processing, survey processing, form processing, and claim processing was not able to be identified by using NAICS codes as many of these services are combined with other activities. Taxable amounts for these services were not included in this estimate and these taxpayers were not included in the taxpayer count.

82.04.192(3)(b)(xv) - Digital automated service - Data processing

Data Sources

Department of Revenue Fiscal Year 2014-2018 excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Data processing businesses
Taxpayer Count:	140
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.213; 82.04.050(11)(b) - Christmas tree production

Description

Items purchased for the production of plantation Christmas trees are exempt from retail sales and use tax because plantation Christmas trees are included in the definition of agricultural products. The definition of retail sale in RCW 82.04.050(11)(b) excludes agricultural products.

Purpose

To recognize that production of plantation Christmas trees is similar to the production of other agricultural products.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.488	$0.488	$0.488	$0.488
Local Taxes	$0.212	$0.212	$0.212	$0.212

Repeal of exemption

A repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.447	$0.488	$0.488
Local Taxes	$0.000	$0.177	$0.212	$0.212

Assumptions

- Christmas trees cost $5 in taxable expenditures from planting to harvest.
- Christmas tree production/harvest remains consistent from year to year, so estimate assumes no growth.
- There are 250 Christmas tree growers in Washington.
- Approximately 1.5 million Christmas trees harvested in Washington (2016).
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Pacific Northwest Christmas Tree Association, statistics www.pnwcta.org
- http://arec.oregonstate.edu/oaeb/files/pdf/AEB0001.pdf

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Growers of plantation Christmas trees
Taxpayer Count:	250 growers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.010(1)(a) - Trade-ins

Description

The definition of selling price excludes the value of trade-ins. This means sales tax is collected on the price after the value of the trade-in is deducted. To qualify, the used items must be accepted by the vendor and be of "like-kind." For example, a person purchasing a new French horn may trade in a used trombone since both are musical instruments.

Purpose

To encourage purchases of new items, especially motor vehicles.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$162.242	$163.865	$165.555	$167.158
Local Taxes	$67.913	$68.592	$69.278	$69.971

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$150.231	$165.555	$167.158
Local Taxes	$0.000	$62.876	$69.278	$69.971

Assumptions

- Assume growth of one percent per year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1984
Primary Beneficiaries:	Buyers of motor vehicles
Taxpayer Count:	1,289
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.08.010(1)(b) - Cash discounts

Description

Cash, term, or coupon discounts taken by a purchaser, and not reimbursed to the seller by a third party are not included in the definition of sales price. As a result, sellers may deduct discounts taken by the purchases in determining the amount of retail sales tax due.

Purpose

To avoid taxing sellers on income they did not actually receive from purchasers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although taxpayers who use accrual-based accounting report this deduction and thus, experience savings, the state would not achieve revenue gains if the deduction is repealed. This is because taxpayers using cash basis accounting do not need to use the deduction; they report the actual amount received at the time of sale. Thus, taxpayers who use accrual-based accounting would likely switch to cash basis accounting if the deduction is repealed.

Data Sources

Joint Legislative Audit and Review Committee (JLARC) Report 09-11: 2009 Full Tax Preference Performance Reviews. (pp. 43-48)

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	4,044
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.08.0203 - Trail grooming services

Description

Sales of trail grooming services to the state of Washington or nonprofit corporations organized under chapter 24.03 RCW are not subject to sales tax. Trail grooming means the activity of snow compacting, snow redistribution, or snow removal on state-owned or privately owned trails.

Purpose

To provide higher quality and safer cross country ski trails in Washington and to promote tourism.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.195	$0.202	$0.209	$0.215
Local Taxes	$0.085	$0.088	$0.091	$0.094

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.185	$0.209	$0.215
Local Taxes	$0.000	$0.073	$0.091	$0.094

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate derived from March 2019 Economic and Revenue Forecast Council.

Data Sources

Washington State Parks and Recreation Commission trail grooming and snow removal budget 2018-19, Jason Goldstein, Operations Manager, Winter Recreation

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	State of Washington and nonprofit organizations which operate cross-country ski trails
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0205; 82.12.0205 - Waste vegetable oil used in production of biodiesel

Description

Sales of waste vegetable oil used by a person to produce biodiesel for personal use are exempt from the retail sales and use tax.

Purpose

To support production of alternative fuels.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.563	$0.563	$0.563	$0.563
Local Taxes	$0.245	$0.245	$0.245	$0.245

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.516	$0.563	$0.563
Local Taxes	$0.000	$0.204	$0.245	$0.245

Assumptions

- Value of waste vegetable oil is $2 per gallon.
- Value of waste vegetable oil varies with price of gasoline, no growth over time.

Data Sources

U.S. Energy Information Administration
https://www.eia.gov/biofuels/biodiesel/production/biodiesel.pdf

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Small scale biodiesel producers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0206 - Working families tax remittance

Description

The working families' tax exemption is an exemption from the prior year's state retail sales tax for eligible persons based on the person's federal earned income tax credit (EITC). However, the "working families' tax exemption" is contingent on the legislature approving the exemption in the state omnibus appropriations act for each fiscal period.

Persons claiming the exemption must apply to the Department of Revenue. The Department will remit exempted amounts to eligible persons who submitted applications. Remittances are equal to 10 percent of the granted federal EITC or $50, whichever is greater.

An eligible person:

- Is an individual, or an individual and his or her spouse if they file a federal joint income tax return;
- Is eligible for, and is granted, the federal EITC;
- Properly files a federal income tax return as a Washington resident; and,
- Has been a resident of the State of Washington more than 180 days of the year for which the exemption is claimed.

Purpose

Results in a less regressive tax system.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

When legislatively approved, repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This program has not been funded by the legislature.

Data Sources

None

82.08.0206 - Working families tax remittance

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2008
Primary Beneficiaries:	Washington residents
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0207; 82.12.0207 - Adaptive veteran housing

Description

An exemption may be granted for the retail sales and use tax paid on materials and labor used to construct adapted housing for disabled veterans, in the form of a remittance.

The remittance amount is capped at $2,500 per project. The total of all remittances paid in each fiscal year capped at $125,000.

Purpose

To provide specific financial relief for disabled veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no taxpayers taking advantage of this incentive.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0208; 82.12.0208 - Digital codes

Description

Digital codes providing access to exempt digital goods are exempt from retail sales and use taxes.

Purpose

To promote uniformity, consistency, and ease of administration in the tax code.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Revenue impact for this exemption is indeterminate but it believed to be minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Buyers and sellers of codes which provide access to digital goods
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02081; 82.12.02081 - Audio or video programming by broadcasters

Description

Audio and video programming by radio and television broadcasters is exempt from the retail and sales use taxes. However, pay-per-program sales or charges for access to a library of programs are subject to retail sales and use taxes.

Purpose

To provides uniformity and consistency in the treatment of digital media.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.672	$2.757	$2.824	$2.865
Local Taxes	$1.162	$1.199	$1.228	$1.245

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.528	$2.824	$2.865
Local Taxes	$0.000	$1.099	$1.228	$1.245

Assumptions

- Sellers are reporting an "Other" deduction on their excise tax return for audio or video programming by broadcasters and are including the term "02081", "509", "broadcast", "radio", "cable" or "PPV" in the description for at least one period. It is possible taxpayers are taking the deduction using other terms in their deduction explanation, which means they are not included in the data.
- Growth rate based on Economic and Revenue Forecast Council March 2019 forecast for investment in intellectual property products.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Radio and TV broadcasters
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02082; 82.12.02082 - Digital goods or automated services for the public

Description

Purchases of digital goods and digital automated services are exempt from retail sales and use taxes when acquired for the purpose of making them available to the general public at no charge.

Purpose

Promotes fairness and consistency in the tax code.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.457	$0.473	$0.489	$0.505
Local Taxes	$0.199	$0.206	$0.213	$0.220

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.434	$0.489	$0.505
Local Taxes	$0.000	$0.189	$0.213	$0.220

Assumptions

- Sellers are reporting an "Other" deduction on their excise tax return for sales of digital goods or automated services for the public and are including the term "free", "public", "504", and/or "02082" in the description. It is possible there are taxpayers taking a deduction based on sales of digital goods or automated services for the public which are using other terms in their deduction explanation, which would mean they are not included in this data.
- Growth rate is based on Economic and Revenue Forecast Council March 2019 forecast for retail sales.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Taxpayers providing digital content for free
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02087; 82.12.02087 - Digital goods and services for business purposes

Description

Digital goods purchased solely for business purposes are exempt from retail sales and use tax.

Purpose

To promote uniformity and consistency in the tax code.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.320	$1.367	$1.413	$1.460
Local Taxes	$0.574	$0.594	$0.614	$0.635

Repeal of exemption

The repeal this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.253	$1.413	$1.460
Local Taxes	$0.000	$0.545	$0.614	$0.635

Assumptions

- Sellers are reporting an "Other" deduction on their excise tax return for sales of digital goods and services for business purposes and are including the term "purpose", "standard", "505", and/or "02087" in the description. It is possible there are taxpayers taking a deduction based on sales of digital goods and services for business purposes which are using other terms in their deduction explanation, which would mean they are not included in this data.
- Growth rate is based on Economic and Revenue Forecast Council March 2019 forecast for retail sales.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses buying and selling digital goods
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02088; 82.12.02088 - Digital goods and services for multiple points of use

Description

Digital goods, digital codes, digital automated services, prewritten computer software, and services which are concurrently used by a business or other organization both within Washington and outside the state are exempt from retail sales and use taxes if the goods or services are not for personal use.

Purpose

To promote uniformity, consistency and ease of administrative in the tax code.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$7.250	$7.503	$7.758	$8.014
Local Taxes	$3.152	$3.262	$3.373	$3.484

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.878	$7.758	$8.014
Local Taxes	$0.000	$2.990	$3.373	$3.484

Assumptions

- Sellers are reporting an "Other" deduction on their excise tax return for sales of digital goods and services for multiple points use and are including the term "MPU", "Multiple Point", "458-20-15503(507)", and/or "02088" in the description. It is possible there are taxpayers taking a deduction based on multiple points of use which are using other terms in their deduction explanation, which would mean they are not included in this data.
- A business or other organization subject to use tax on digital products or digital codes that are concurrently available for use within and outside this state is entitled to apportion the amount of tax due this state based on users in this state compared to users everywhere. For the purposes of this estimate, the taxpayer savings and potential revenue gains were calculated from the non-Washington portion of these sales, based on the Economic and Revenue Forecast Council March 2019 forecast for Washington and U.S. employment.
- Growth rate is based on Economic and Revenue Forecast Council March 2019 forecast for retail sales.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

82.08.02088; 82.12.02088 - Digital goods and services for multiple points of use

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Entities with operations within and outside the state
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0251 - Casual sales

Description

Persons not otherwise engaged in business activities are not required to collect retail sales tax when they sell items or services meeting the definition of a retail sale to consumers. However, the buyer is not exempt from the use tax on the value of these purchases.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.814	$0.838	$0.860	$0.882
Local Taxes	$0.154	$0.157	$0.159	$0.160

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.454	$0.513	$0.531
Local Taxes	$0.000	$0.007	$0.008	$0.008

Assumptions

- All casual sales eligible to be reported by registered businesses are reported as a deduction under retailing B&O or wholesaling B&O.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Compliance rate of 5 percent for sales by individuals, for all years.
- Not all sales by individuals are captured in this estimate.

Data Sources

- H&R Block; "Garage Sale Money and Capital Gains: What You Should Report to the IRS"
- U.S. Census Bureau; "Census Bureau Projects U.S. Population of 312.8 Million on New Year's Day"
- Washington State Office of Financial Management; "November 2018 State Population Forecast"
- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

82.08.0251 - Casual sales

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Businesses that sell items outside their general scope of business. Individuals that sell products at garage or yard sales.
Taxpayer Count:	509 (taxpayers reporting casual sales)
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.08.0252 - Sales subject to public utility tax

Description

Sales subject to the public utility tax are exempt from retail sales tax. This affects only the distribution or sale of tangible personal property that would otherwise be subject to sales taxes, particularly natural gas, electricity, and water.

Purpose

Without the exemption these activities would be subject to both the public utility tax and to sales taxes which may be viewed as double taxation. The public utility tax is considered a tax on consumers of utility services even though the provider of the service pays the tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$701.279	$731.034	$760.852	$792.209
Local Taxes	$304.890	$317.826	$330.790	$344.423

Repeal of exemption

The repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$670.114	$760.852	$792.209
Local Taxes	$0.000	$291.341	$330.790	$344.423

Assumptions

- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.
- Estimated tax savings is not a net taxpayer savings (sales tax saved minus public utility tax paid).
- Taxpayer savings reflect only the sales tax amount.
- Impacts 1030 taxpayers.

Data Sources

- Department of Revenue excise tax returns
- Economic Forecast Council’s March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Public utilities and their customers
Taxpayer Count:	1,030
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.08.02525; 82.12.02525 - Public records copies

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 and use tax.

The exemption applies to documents provided under the Public Records Act when no fee is charged for the record itself, other than the amount necessary to cover the actual costs of providing the document. A maximum fee of $0.15 per page applies if the agency has not determined the actual cost.

Purpose

Supports open government and encourages citizens to seek the information they need from governmental agencies. Prevents agencies from having to collect and remit small amounts of sales tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.074	$0.074	$0.074	$0.074
Local Taxes	$0.032	$0.032	$0.032	$0.032

Repeal of exemption

Repealing the exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.068	$0.074	$0.074
Local Taxes	$0.000	$0.029	$0.032	$0.032

Assumptions

- 75 percent of "other statutory certifying and copy fees" are for copying public records.
- Public records requests fluctuate, calculations reflect a ten year average and future annual amounts are equal.
- State charges equal local charges.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

State Auditor, Local Government Financial Report System

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Washington citizens, state and local government
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.0253; 82.12.0345; 82.08.0253(1)(b) – Newspapers

Description

The sales of newspapers sold by subscription and at newsstands are exempt from the sales and use tax.

Department of Revenue rules define a newspaper as a publication issued at regular intervals of less than two weeks, printed on newsprint in tabloid or broadsheet format, and without substantial binding.

Purpose

In 1935, taxing newspapers was viewed as inhibiting the "freedom of the press." In addition, the exemption relieved newspaper carriers (mostly youth) from being responsible for collecting and reporting the tax; however, the billing function has been centralized by the publisher.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.966	$1.912	$1.860	$1.809
Local Taxes	$0.855	$0.831	$0.809	$0.786

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.578	$1.674	$1.628
Local Taxes	$0.000	$0.691	$0.733	$0.713

Assumptions

- Revenues for the newspaper and subscription industry will continue to decline.
- 11 months of cash collections for the first Fiscal Year, 12 months thereafter.
- Decrease in B&O tax revenue is due to reduction in taxable sales due to higher tax rate (elasticity).

Data Sources

- Department of Revenue excise tax data
- U. S. Census Bureau

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Buyers of newspapers
Taxpayer Count:	15,449
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.08.02535 - Fund-raising sales of magazines

Description	Magazine subscriptions are exempt from retail sales tax when sold by schools or nonprofit organizations benefitting boys and girls nineteen years and younger for purposes of raising funds to support their school or organization.

Purpose

To support these organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.457	$0.457	$0.457	$0.457
Local Taxes	$0.199	$0.199	$0.199	$0.199

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.419	$0.457	$0.457
Local Taxes	$0.000	$0.166	$0.199	$0.199

Assumptions

- Magazine sales have been declining since 2007, therefore no growth.
- Average U. S. expenditures on newspapers and magazines are now less than $30 per year.
- Most magazine fundraising sales are made online.

Data Sources

https://www.forbes.com/sites/tonysilber/2018/05/29/big-ideas-for-a-magazine-newsstand-industry-in-distress/#6f86abe05930

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Schools and nonprofit organizations
Taxpayer Count:	Unknown from year to year
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.08.02537; 82.12.0347 - Academic transcripts

Description

Fees charged by public and private educational institutions for providing copies of academic transcripts to current and former students are exempt from retail sales and use tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.153	$0.157	$0.163	$0.168
Local Taxes	$0.066	$0.068	$0.071	$0.073

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.144	$0.163	$0.168
Local Taxes	$0.000	$0.057	$0.071	$0.073

Assumptions

- 50% of college graduates order 5 transcripts @ $10 each.
- 80% of high school students order 4 transcripts @ $2 each.

Data Sources

- Office of the Superintendent of Public Instruction
- Office of Financial Management

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Public and private educational institutions
Taxpayer Count:	295 school districts, 22 4-year institutions, 34 2-year institutions
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.0254; 82.12.0255 - Constitutionally exempt sales

Description

Sales prohibited from taxation under state or federal constitutions receive an exemption from retail sales and use taxes. This "catch-all" provision covers situations not covered by other specific exemptions. The major items in this general exemption include sales:

- Where the final location is out-of-state;
- To the U.S. government; and,
- To Indian tribes and their members in their Indian Country.

Purpose

Recognizes the prohibition against taxing the federal government, Indians tribes and their members in their Indian country, or placing a burden on interstate commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$297.714	$308.197	$318.808	$329.576
Local Taxes	$129.435	$133.993	$138.606	$143.287

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth mirrors total sales tax collections, as reflected in the February 2019 general fund forecast.
- No revenues are realized if the state law is repealed, these sales are also constitutionally exempt at the federal level.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Federal government and individuals located on Indian reservations
Taxpayer Count:	34,202
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0255(1)(a,c); 82.12.0256(2)(a,c) - Fuel for urban transit or passenger-only ferries

Description

Motor vehicle fuel purchased for the purpose of providing public transportation is exempt from retail sales and use tax. The fuel must also be exempt under the motor vehicle and special fuel taxes. This exemption also applies to fuel purchased by a public transportation benefit area, or a county-owned ferry or county ferry district for use in passenger-only ferries.

Purpose

To reduce the cost of providing public transit and encourage the use of these systems by riders.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.313	$6.359	$6.348	$6.452
Local Taxes	$2.745	$2.765	$2.760	$2.805

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.829	$6.348	$6.452
Local Taxes	$0.000	$2.534	$2.760	$2.805

Assumptions

- Fuel consumption for public transportation continues to grow at the same rate as between 2013 and 2016.
- Fuel prices are same as forecasted by U.S. Energy Information Administration.
- 11 months of cash collections in Fiscal Year 2021 for July 1, 2020, effective date.

Data Sources

- U.S. Energy Information Administration
- Washington State Department of Transportation

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1980
Primary Beneficiaries:	City transit agencies and county ferry systems
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.08.0255(1)(b); 82.12.0256(2)(b) - Fuel for transporting persons with special needs

Description

Motor vehicle and special fuel purchased by a certified private, nonprofit transportation provider for persons with special transportation needs is exempt from retail sales and use tax. The fuel must also be exempt from the special fuel taxes.

Purpose

To lower nonprofit transportation provider costs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.200	$0.193	$0.204	$0.211
Local Taxes	$0.087	$0.084	$0.089	$0.092

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.177	$0.204	$0.211
Local Taxes	$0.000	$0.077	$0.089	$0.092

Assumptions

- Revenues grow at the same rate as the oil price growth rates in the Economic and Revenue Forecast Council's March 2019 forecast.
- Revenue impact to the Performance Audit account is not material.
- Fuel prices are same as forecasted by U.S. Energy Information Administration.
- 11 months of cash collections in Fiscal Year 2021 for July 1, 2020, effective date.

Data Sources

- Department of Licensing fuel tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1980
Primary Beneficiaries:	Special needs transportation providers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.08.0255(1)(d,e); 82.12.0256(2)(e,f) - Fuel for state or county ferries

Description

Motor vehicle or special fuel purchased for use in state or county-owned ferries is exempt from the retail sales and use tax.

Purpose

Reduces the cost for state and local government to provide ferry service.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.177	$3.052	$3.236	$3.338
Local Taxes	$1.381	$1.327	$1.407	$1.451

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.797	$3.236	$3.338
Local Taxes	$0.000	$1.216	$1.407	$1.451

Assumptions

- Growth rate is the same as the crude oil growth rate in the Economic and Revenue Forecast Council March 2019 forecast.
- 11 month cash collection for Fiscal Year 2021 for July 1, 2020, effective date.

Data Sources

- Various Washington State county websites
- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	State and county owned ferry systems
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.0255(1)(f); 82.12.0256(2)(d) - Special fuel used on public highways

Description

Fuel subject to the special fuel tax is exempt from the retail sales and use tax. This exemption is primarily for gasoline, diesel, and other fuels used by vehicles on public highways.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$721.112	$717.306	$724.559	$726.453
Local Taxes	$313.517	$311.863	$315.016	$315.839

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$657.531	$724.559	$726.453
Local Taxes	$0.000	$285.874	$315.016	$315.839

Assumptions

- Revenues grow at the same rate as oil price growth rates in the Economic and Revenue Forecast Council's March 2019 forecast
- Eleven months of cash collections impact for Fiscal Year 2021 with July 1, 2020, effective date

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Licensed drivers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2009

82.08.0255(2); 82.12.0256(1) - Special fuel purchased in WA but used outside of state

Description

Persons engaged in interstate commerce may claim a credit or refund for retail sales or use taxes paid on fuel delivered in this state, but transported and used outside of Washington.

Purpose

To not interfere with interstate commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Interstate carriers would likely shift their fuel purchases to other states.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact for this exemption is included in the estimate for special fuel used on public highways, RCWs 82.08.0255(1f) and 82.12.0256(2d), which covers all motor vehicle and special fuel used on public highways.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1983
Primary Beneficiaries:	Interstate carriers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.08.0256; 82.12.0257 - Public utility operating property

Description

The sale of operating property used in conducting a utility operation to the state or a local government entity is exempt from retail sales/use tax. Exemption includes properties such as water systems and electrical substations of a public utility.

Exemption requirements include:

- The utility property must be operating as utility property before the sale, and the new owner must continue to operate the property as a utility; and,
- The purchaser of the operating utility property must be a state agency or political subdivision.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Utilities do not report these purchases, there is no data to show how often sales occur.
- The impact is indeterminate, but assumed to be minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1935
Primary Beneficiaries:	State, local jurisdictions, municipal utilities, water districts
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2008

82.08.02565(1)(c)(ii); 82.12.02565 - M&E on sales of manufactured or compressed natural gas

Description

A gas distribution business that manufactures compressed or liquefied natural gas for use as transportation fuel must pay retail sales and use tax on machinery and equipment purchases for use in the manufacturing process. Beginning July 1, 2017, the gas distribution business may apply for a remittance for the retail sales and use tax paid on such equipment. The gas distribution business can only apply for a remittance once a quarter and no remittances are accepted after June 30, 2028.

Purpose

To provide uniform treatment of natural gas used as a transportation fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There have been no remittance requests and none expected in the next four years.

Data Sources

Department of Revenue remittance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Gas distribution business manufacturing compressed or liquefied gas for use as transportation fuel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02565; 82.12.02565 - Manufacturing and R&D machinery and equipment

Description

Manufacturers and processors for hire are eligible for a retail sales and use tax exemption on purchases of manufacturing machinery and equipment used directly in a manufacturing operation, research and development (R&D) operation, or testing operation. Charges for installing, repairing, cleaning, altering or improving the machinery and equipment are also exempt. Short-lived tools, hand tools, and consumable supplies do not receive an exemption. Manufacturing, R&D, and testing operations for marijuana or marijuana related products are also not eligible for the exemption.

Purpose

To encourage manufacturing activity to take place in Washington and create family wage jobs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$313.312	$319.626	$328.325	$340.745
Local Taxes	$136.200	$139.000	$142.700	$148.100

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$292.969	$328.325	$340.745
Local Taxes	$0.000	$127.400	$142.700	$148.100

Assumptions

- Expenditures on machinery and equipment used for research and development and testing related to the manufacturer's manufacturing activities are a small percentage of total machinery and equipment, assumed at two percent.
- Expenditures on machinery and equipment that does not qualify for the exemption, including hand tools equipment with a useful life of less than one year, office equipment, most transportation equipment, computers, software, peripherals not used directly in manufacturing are a sizable percentage of total expenditures, assumed to be 25 percent.
- Due to noncompliance, only 86 percent of taxes owed would be collectable if the exemption were repealed.

Data Sources

- 2016 Economic Census
- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

82.08.02565; 82.12.02565 - Manufacturing and R&D machinery and equipment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Taxpayers engaged in manufacturing activities
Taxpayer Count:	14,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.025651; 82.12.025651 - Public research institutions machinery and equipment

Description

The sale of machinery and equipment used primarily in a research and development operation at public research institutions is exempt from retail sales and use tax. Qualifying machinery and equipment includes:

- Computer hardware and software;
- Laboratory equipment and instruments;
- Vats, tanks, and fermenters; and,
- Equipment used to control, monitor or operate qualifying machinery.

Purpose

Ensures amendments made to the M&E exemption in 2011 would not affect public research institutions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.878	$7.269	$7.702	$8.147
Local Taxes	$3.000	$3.200	$3.300	$3.500

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.663	$7.702	$8.147
Local Taxes	$0.000	$2.900	$3.300	$3.500

Assumptions

- Growth rate from Economic and Revenue Forecast Council rate for Research and Development, March 2019.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Specified state research universities
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02566; 82.12.02566 - Aircraft part prototypes

Description

Purchases of ingredients incorporated into or for modifications made to prototypes of aircraft parts and auxiliary equipment are exempt from retail sales and use tax if the business developing the prototypes has taxable annual income of less than $20 million dollars. The exemption is limited to $100,000 per business per calendar year. Eligible businesses must pay tax at the point of sale and apply for a refund directly from the Department.

Purpose

To assist relatively small manufacturers of aircraft parts.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no firms using this tax preference

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.08.025661; 82.12.025661 - Aerospace FAR repair stations

Description

Retail sales tax and use tax exemption for new building construction costs to be used by a federal aviation regulation (FAR) part 145 certified repair station that is located in an international airport owned by a county with a population greater than 1.5 million.

The retail sales and use tax exemption applies to building construction costs, including charges for labor and services, and the sale of tangible personal property that will be incorporated as an ingredient or component of such buildings.

The exemption may be requested in a form of remittance. Therefore, all applicable state and local taxes must be paid by a buyer. A person may request a remittance of the local sales and use tax paid after July 1, 2016.

A person may request a remittance of the state sales and use tax paid after the aircraft repair station has been operationally complete for 4 years but no sooner than December 1, 2021. To receive the remittance of state sales and use tax paid, the person has to report at least 100 average employment positions at the establishment, with an average annualized wage of $80,000, to the employment security department for September 1, 2020, through September 1, 2021.

To qualify for the exemption, the person must also file a complete annual report.

The exemption expires January 1, 2027.

Purpose

To create and retain well-paying jobs in the aerospace industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no firms using this tax preference.

Data Sources

Department of Revenue excise tax data

82.08.025661; 82.12.025661 - Aerospace FAR repair stations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2016
Primary Beneficiaries:	Taxpayers who perform aircraft maintenance repair under FAR part 145
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.02568; 82.12.02568 - Aluminum production anodes and cathodes

Description

Sales of various ingredients used in producing anodes and cathodes used in manufacturing aluminum are exempt from the retail sales and use tax. These include carbon, petroleum coke, coal tar, pitch and similar substances.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers benefit from this exemption; revenue impact is not disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.02569; 82.12.02569 - Gravitational wave observatory

Description

Tangible personal property incorporated into a structure which is an integral part of a laser interferometer gravitational wave observatory is exempt from the retail sales and use tax.

Purpose

To encourage construction of a facility in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Construction of the laser interferometer gravitational-wave observatory at Hanford was completed in 1999.

Data Sources

www.ligo.caltech.edu

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1996
Primary Beneficiaries:	California Institute of Technology and federal government
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.0257; 82.12.0258 - Farm auction sales

Description

Sales of tangible personal property previously used in a farm activity are exempt from retail sales and use tax if made by or through an auctioneer. The seller must be a farmer with the sale held on a farm. This exemption does not apply to personal property used by the seller in the production of marijuana, useable marijuana, or marijuana-infused products.

Purpose

To support the agricultural industry and farmers selling old equipment to purchase new equipment.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.295	$3.394	$3.496	$3.601
Local Taxes	$0.058	$0.060	$0.062	$0.063

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.111	$3.496	$3.601
Local Taxes	$0.000	$0.055	$0.062	$0.063

Assumptions

- In 2008, $268.5 billion in sales occurred at auctions nationwide.
- $18.5 billion was spent on agricultural machinery and equipment sold at auction.
- On average, Washington State represents 2 percent of the national total.
- 10 percent of all equipment is sold at on-farm auctions.
- 3 percent growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

National Auctioneers Foundation

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1943
Primary Beneficiaries:	Farmer that sell machinery and other personal property at farm auctions, and the buyers of the items
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.02573 - Nonprofit organization fund-raising

Description

Sales by a nonprofit organization or a library for fund-raising activities are exempt from sales tax if the gross income from the sale is exempt under RCW 82.04.3651. The exemption does not extend to the regular operation of a bookstore, thrift shop or restaurant.

Purpose

To support the fund-raising activities of these organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$14.178	$14.603	$15.041	$15.493
Local Taxes	$6.164	$6.349	$6.540	$6.736

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$13.386	$15.041	$15.493
Local Taxes	$0.000	$5.291	$6.540	$6.736

Assumptions

- Washington nonprofits reported over $64.6 billion in total revenue in Fiscal Year 2015.
- Nationwide, 21 percent of income came from contributions, gifts and government grants, 73 percent is from program services and 6 percent is "other income with includes dues, rental income, special event income and goods sold.
- Assume 5 percent of "other income" is for goods sold.
- Annual growth of 3 percent.

Data Sources

National Center for Charitable Statistics

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations that sale items to raise funds to support their activities
Taxpayer Count:	Over 32,000 Washington nonprofits
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.0258; 82.12.0259 - Federal instrumentalities furnishing aid and relief

Description

A sales and use tax exemption on purchases exists for corporations created by Congress that provide:

- Volunteer aid to the armed forces; and,
- A system of national and international disaster relief.

Purpose

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

This exemption applies to fewer than three taxpayers.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0259; 82.12.0261 - Breeding livestock, cattle, and milk cows

Description

Sales of livestock for breeding purposes and sales of cattle and milk cows used on a farm are exempt from retail sales and use tax.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$9.960	$10.160	$10.363	$10.570
Local Taxes	$2.702	$2.756	$2.811	$2.867

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$9.313	$10.363	$10.570
Local Taxes	$0.000	$2.297	$2.811	$2.867

Assumptions

- July 1, 2020, effective date, with 11 months collections in Fiscal Year 2021.
- Two percent growth per year.

Data Sources

U. S. Agriculture Census, 2017

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1945
Primary Beneficiaries:	Livestock breeders, cattle operations, and dairies the purchase animals for use in producing other animals or products for sale
Taxpayer Count:	4,800
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.026; 82.12.023; 82.14.030(1) - Natural and manufactured gas

Description

Natural and manufactured gas delivered through a pipeline that is subject to the use tax on brokered gas under RCW 82.12.022 is exempt from retail sales and 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 are not subject to public utility tax. Starting in 1989, these large industrial customers started paying a use tax equivalent to the public utility tax. This exemption assures that these purchases are subject to the special use tax, rather than sales and use tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$18.185	$18.185	$18.185	$18.185
Local Taxes	($24.245)	($24.245)	($24.245)	($24.245)

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$16.670	$18.185	$18.185
Local Taxes	$0.000	($22.225)	($24.245)	($24.245)

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Assume zero growth due to historical fluctuations in tax collections.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Large industrial users of natural or manufactured gas
Taxpayer Count:	297
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.08.0261 - Items used in interstate commerce

Description

Sales of items of tangible personal property, such as linens, bedding, chairs and tableware (but not airplanes, trains, or vessels), to air, rail, or water private or common carriers for use in their business are exempt from retail sales tax. Any actual use of the item within this state is subject to use tax.

Purpose

Encourages the purchase of these items in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.813	$5.991	$6.164	$6.315
Local Taxes	$2.527	$2.605	$2.680	$2.745

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.492	$6.164	$6.315
Local Taxes	$0.000	$2.388	$2.680	$2.745

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Business purchases data from IMPLAN model for Washington, 2016 data
- IHS Markit Forecast, March 2019

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Transportation companies and customers
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.08.0261(2,3) - Sale of liquefied natural gas to a business operating as a private or common carrier by water in interstate or foreign commerce

Description

For the sale of liquefied natural gas to a business operating as a private or common carrier by water in interstate or foreign commerce, the buyer is entitled to an exemption for ninety percent of state and local sales tax due on the amount of liquefied natural gas transported and consumed outside the state by the buyer.

This does not apply to the sale of liquefied natural gas on or after July 1, 2028, for use as fuel in any marine vessel.

Purpose

Provide a lower tax rate on liquefied natural gas that is not consumed in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The amount of liquid natural gas used by water common carriers in interstate of foreign commerce is very small.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Transportation companies and customers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.08.0262 - Interstate transportation equipment

Description

Retail sales and use taxes do not apply to the sale or use of airplanes, locomotives, railroad cars or watercraft and their component parts 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$19.276	$19.955	$20.642	$21.339
Local Taxes	$8.381	$8.676	$8.974	$9.278

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$18.292	$20.642	$21.339
Local Taxes	$0.000	$7.953	$8.974	$9.278

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Sellers of transportation equipment
Taxpayer Count:	208
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.0263 - Interstate commerce vehicles

Description

Sales of motor vehicles and trailers used for transporting persons or property for hire in interstate and foreign commerce are exempt from retail sales tax. The purchaser or user must hold a permit issued by the federal Department of Transportation (formerly the Interstate Commerce Commission).

Purpose

To encourage sales in Washington by allowing delivery of these vehicles to occur in-state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.572	$21.297	$22.030	$22.774
Local Taxes	$8.944	$9.259	$9.578	$9.901

Repeal of exemption

Repealing this exemption would likely not increase revenues. Buyers of this type of property could structure transactions to take delivery out-of-state. Also, taxing this type of property could bring a challenge under federal interstate commerce laws.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues will be realized.

Data Sources

- Department of Revenue taxpayer data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Interstate carriers and dealers
Taxpayer Count:	193
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.0264 - Vehicles sold to nonresidents

Description

Motor vehicles, trailers and campers sold to nonresidents for use outside the state are exempt from the retail sales tax. Delivery may take place in Washington, provided the vehicle is:

- Taken directly outside of this state; or,
- Licensed immediately it the state of the purchaser's residence, and not used in Washington for more than three months.

Purpose

To eliminate a potential disadvantage for in-state vehicle dealers who compete against dealers in other states. Other purchases by nonresidents are subject to sales tax if delivery occurs within this state, unless the provisions of RCW 82.08.0273 (residents of states with no or low sales taxes) apply.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$46.325	$47.956	$49.607	$51.283
Local Taxes	$20.140	$20.849	$21.567	$22.296

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresident purchasers would take possession outside the state.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If exemption repealed, nonresidents would take possession outside the state, so there would not be an increase to state revenues.

Data Sources

- Department of Revenue taxpayer database
- Economic & Revenue Forecast Council's March 2019 Forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1949
Primary Beneficiaries:	Vehicle dealers and manufacturers
Taxpayer Count:	663
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.0266; 82.08.02665 - Boats sold to nonresidents

Description

The sale of watercraft to nonresidents or foreigners for use outside of Washington is exempt from retail sales and use taxes even if delivered in Washington if the craft:

- Requires Coast Guard registration; or,
- Is registered in the state of principal use; and,
- Is not used in Washington for more than 45 days.

Purpose

Allowing the buyer to take delivery in Washington without incurring sales and use tax liability helps to encourage purchases by nonresidents and foreigners.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.835	$3.970	$4.108	$4.246
Local Taxes	$1.668	$1.726	$1.786	$1.846

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresidents would take delivery outside of Washington or purchase the watercraft outside of Washington.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Nonresidents take delivery outside of Washington or purchase the watercraft outside of Washington.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1959
Primary Beneficiaries:	Boat dealers and manufacturers
Taxpayer Count:	52
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.0267; 82.12.0262 - Poultry used in production

Description	Poultry used for producing poultry or poultry products are exempt from retail sales and use tax.
Purpose	To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.163	$0.163	$0.163	$0.163
Local Taxes	$0.044	$0.044	$0.044	$0.044

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.149	$0.163	$0.163
Local Taxes	$0.000	$0.037	$0.044	$0.044

Assumptions

- Baby chicks currently cost about 65 cents for a day-old chick and $9 for an 18-week old pullet.
- There are no hatcheries in Washington that produce genetically improved chicks on a large scale basis for commercial producers.
- Most of Washington's commercial egg producers purchase their replacement chicks from out-of-state hatcheries that deliver the chicks to them.
- Purchases of replacement chicks by Washington commercial laying operations estimated at $2.5 million.
- No annual growth.

Data Sources

- U. S. Agriculture Census, 2017
- Joint Legislative Audit & Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1961
Primary Beneficiaries:	Producers of poultry and poultry products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.0268 - Farm equipment sold to nonresidents

Description

Farm machinery sold to nonresidents and immediately transported out-of-state is exempt from retail sales tax. The exemption includes parts and labor for repair services performed on machinery and implements used for farming outside of the state.

Purpose

To allow Washington implement dealers to effectively compete with dealers in neighboring states which either exempt farm machinery or have a lower (or no) sales tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$7.000	$7.000	$7.000	$7.000
Local Taxes	$1.870	$1.870	$1.870	$1.870

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresident farmers would likely buy and repair machinery in another state.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.420	$7.000	$7.000
Local Taxes	$0.000	$1.560	$1.870	$1.870

Assumptions

- Current data is very similar to historical data so assume no growth.
- Fiscal Year 2021 represents 11 months of collections.

Data Sources

DOR deduction data for NAICS:

- 333111, farm machinery and equipment machinery
- 423820, farm and garden machinery and equipment wholesalers
- 444220, nursery, garden center, and farm supply stores

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1961
Primary Beneficiaries:	Nonresident farmers that purchase, take delivery of farm machinery, implements and parts in Washington
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.0269 - Purchases by residents of Alaska & Hawaii

Description

Sales for use in states, territories and possessions of the United States which are not contiguous to any other state are exempt from retail sales tax, if the seller delivers the property to an in-state receiving terminal of a carrier that transports the goods to an out-of-state location.

Purpose

To facilitate sales to residents of Alaska, Hawaii and United States possessions and territories, and to encourage trade through Washington ports.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would not increase revenues. Buyers could make alternative shipping arrangements.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- Most sales to such residents would be exempt under other statutes relating to interstate commerce.
- Buyers make alternative shipping arrangements.
- Impact is minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1961
Primary Beneficiaries:	Firms selling to residents of Alaska, Hawaii, U.S. territories
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.0271; 82.12.930 - Watershed and flood protection

Description

State and local government entities are exempt from retail sales and use tax on tangible personal property consumed and labor and services rendered for watershed protection or flood prevention projects. The exemption is limited to the portion of the selling price that is reimbursable by the federal government under the Watershed Protection and Flood Prevention Act.

Purpose

Support services on watershed protection and flood prevention.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently benefiting from this program, as no federal appropriations have been made for this program since 2010.

Data Sources

U.S. Department of Agriculture

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1980
Primary Beneficiaries:	State and local government entities rendering projects and services relating to the watershed protection or flood prevention act
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.0272; 82.12.0267 - Semen for artificial insemination of livestock

Description

Semen used for artificial insemination of livestock is exempt from retail sales and use tax.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.455	$0.455	$0.455	$0.455
Local Taxes	$0.123	$0.123	$0.123	$0.123

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.417	$0.455	$0.455
Local Taxes	$0.000	$0.103	$0.123	$0.123

Assumptions

- Use of artificial insemination will remain constant.
- In FY 2018, almost $7 million was deducted for bovine semen sales.
- July 1, 2020 effective date, with 11 months collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Ranchers who purchase semen for artificial insemination of livestock
Taxpayer Count:	Approximately 12,000 cattle ranchers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.0273 - Sales to nonresidents from no or low sales tax states

Description

Nonresidents are exempt from Washington retail sales tax on tangible personal property purchased for use outside of Washington. The exemption is in the form of a refund for state sales tax (6.5 percent) only. Qualifying nonresidents must meet the following criteria:

- They reside in a state, possession or Canadian province which levies a sales tax of less than 3.0 percent; or
- Their state of residence allows a similar exemption for Washington residents.

Currently, no state qualifies under this provision of reciprocity. A nonresident may apply for a state sales tax refund once in a calendar year for all purchases made during the prior calendar year.

Purpose

To enable Washington sellers, especially along the Oregon border, to compete with merchants in other states that do not levy a retail sales tax, or levy a sales tax with a low rate.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.118	$3.196	$3.272	$3.348
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.930	$3.272	$3.348
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020 effective date, with 11 months of collections in Fiscal Year 2021.
- To project the estimates for future years, growth rates were calculated using data from Washington State Economic and Revenue Forecast Council.

Data Sources

- Economic and Revenue Forecast Council March 2019 forecast
- Washington State County Travel Impacts study
- Department of Revenue excise tax data

82.08.0273 - Sales to nonresidents from no or low sales tax states

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1965
Primary Beneficiaries:	Residents of Oregon, Alaska, Montana and the Canadian province of Alberta
Taxpayer Count:	3,623
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.08.0274; 82.12.0268 - Form lumber

Description

Form lumber used in construction to mold concrete is exempt from retail sales and use tax when incorporated into the same project. The exemption applies only to projects done by contractors for other persons. Therefore, form lumber used by "speculative" builders is not exempt under this provision.

Purpose

To exempt the contractor's intervening use as a consumer of form lumber.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There are currently few, if any, taxpayers taking advantage of this exemption.
- Contractors use form lumber over and over for multiple projects.

Data Sources

Department of Revenue tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1965
Primary Beneficiaries:	Contractors and subcontractors who use lumber as forms for concrete
Taxpayer Count:	78,900
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.02745; 82.12.02685 - Farm-worker housing

Description

Purchases of goods and services used in constructing, repairing, or improving new or existing structures used as agricultural employee housing are exempt from retail sales/use tax. Agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers may own housing facilities. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.352	$1.352	$1.352	$1.352
Local Taxes	$0.367	$0.367	$0.367	$0.367

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.240	$1.352	$1.352
Local Taxes	$0.000	$0.306	$0.367	$0.367

Assumptions

- Assumed no growth due to variability in data.
- July 1, 2020 effective date, with 11 months collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1996
Primary Beneficiaries:	Farmers and others who build housing facilities for farm workers
Taxpayer Count:	Unknown, farmers are not required to register with the Department. Residential builders and building supply stores claim the exemption
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.0275; 82.12.0269 - Sand and gravel for local road construction

Description

The cost of labor and services performed in the mining, sorting and crushing of sand and gravel taken from a pit owned by or leased to a city or county are exempt from retail sales and use tax. The city or county must either:

- Place the sand or gravel on a local public street; or
- Sell it at cost to another city or county for use on public roads.

Purpose

Lowers costs for constructing, maintaining and preserving county and city roads.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.965	$3.187	$3.427	$3.684
Local Taxes	$1.289	$1.386	$1.490	$1.601

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.922	$3.427	$3.684
Local Taxes	$0.000	$1.270	$1.490	$1.601

Assumptions

- Sand and gravel used in local road construction is assumed to represent 7.5 percent of government contracting as reported by 70.8 percent of highway, street and bridge construction businesses.
- Annual growth rate of 7.5 percent.
- July 1, 2020 effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1980
Primary Beneficiaries:	Cities and counties
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.08.0277; 82.12.0273 - Pollen

Description

Sales and use of pollen are exempt from the retail sales and use tax.

Purpose

To support the agricultural and horticultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.037	$0.037	$0.037	$0.037
Local Taxes	$0.010	$0.010	$0.010	$0.010

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.034	$0.037	$0.037
Local Taxes	$0.000	$0.008	$0.010	$0.010

Assumptions

- Since specific data for the sale of pollen does not exist, the amount of pollen produced is estimated as a percentage of honey production.
- Pollen is valued at 10% of honey value.
- No growth over time.

Data Sources

- Washington State Department of Agriculture data
- U. S. Department of Agriculture
- National Agriculture Statistic Service honey reports

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Farmers that buy pollen
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.0278; 82.12.0274 - Annexation sales

Description

Tangible personal property sold by one political subdivision to another in conjunction with an annexation, incorporation, or merger is exempt from retail sales and use tax. Tangible personal property sold by one political subdivision to another in conjunction with a contractual consolidation is exempt from retail sales and use tax when the political subdivision that originally paid the sales or use tax on the tangible personal property continues to benefit from the property after the consolidation.

Purpose

To avoid taxing the non-enterprise activities of local governments.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues by a minimal, indeterminate amount.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Sales of tangible personal property from an annexed area to the annexor are rare.
- Revenue estimate is indeterminate; any revenue impacts are thought to be minimal.

Data Sources

Office of Financial Management, population data, 2000 to 2010

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Cities, counties, or other local governments that are involved in annexations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.0278(2), 82.12.0274(2) - Political subdivision consolidation sales

Description

Tangible personal property sold by one political subdivision to another pursuant to the terms of a contractual consolidation under which the taxpayers that originally paid a sales or use tax continue to benefit from the personal property is exempt from sales and use tax.

Purpose

To avoid taxing the non-enterprise activities of local governments.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues by a minimal, indeterminate amount.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Sales of tangible personal property from an annexed area to annexor are rare.
- Revenue impacts are indeterminate but thought to be minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Cities, counties, or other local governments
Taxpayer Count:	Indeterminate
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0279 - Nonresidents' rental vehicles

Description

Renting or leasing motor vehicles and trailers to nonresidents for exclusive use in interstate commerce is exempt from the retail sales tax. Nonresidents with places of business both inside and outside of Washington qualify for the exemption if the vehicle is registered and most frequently dispatched, garaged and serviced at a location outside of Washington. The exemption includes vehicles or trailers registered in a different state and have incidental use to transport persons or property between Washington locations.

Purpose

To relieve lessors of responsibility for collecting sales tax on the in-state use of rental cars, motor vehicles and trailers by a nonresident motor carrier engaged in interstate commerce and to encourage such businesses to rent or lease in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.188	$0.194	$0.200	$0.207
Local Taxes	$0.054	$0.056	$0.057	$0.059

Repeal of exemption

Repealing this exemption would not increase revenues. The motor vehicle leases and rentals would still qualify under the interstate commerce vehicles exemption, RCW 82.08.0263.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate for taxpayer savings is the same as the sales tax growth rate in the Economic and Revenue Forecast Council's March 2019 forecast.
- Repeal of this exemption would not increase revenues.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1980
Primary Beneficiaries:	Truck rental businesses and nonresidents
Taxpayer Count:	265
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.08.02795; 82.12.02745 - Free public hospitals

Description

Free hospitals are exempt from retail sales and use tax on purchases of items used in the operation of the hospital or the provision of health care services. The exemption requires that hospitals not charge its patients for health care services received.

Purpose

To reduce the cost of health care services provided by hospitals providing free service to their patients.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers; impact is confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Free public hospitals
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.02805; 82.12.02747 - Nonprofit blood and tissue banks

Description

Nonprofit blood and tissue banks are exempt from retail sales and 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.116	$10.217	$10.319	$10.422
Local Taxes	$4.398	$4.442	$4.486	$4.531

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$9.366	$10.319	$10.422
Local Taxes	$0.000	$3.702	$4.486	$4.531

Assumptions

- Annual growth of one percent per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Blood Center webpages and Internal Revenue Service form 990 information

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Blood and tissue banks
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.02806; 82.12.02748 - Human body parts

Description	Sales of human blood, tissue, organs, bodies or body parts are exempt from retail sales and use tax when used for medical research or quality control testing.
Purpose	To support medical research in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.075	$0.077	$0.080	$0.083
Local Taxes	$0.033	$0.034	$0.035	$0.036

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.071	$0.080	$0.083
Local Taxes	$0.000	$0.031	$0.035	$0.036

Assumptions

- Washington State Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Popular Science
- Forbes.com

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1996
Primary Beneficiaries:	Medical research organizations
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.02807; 82.12.02749 - Organ procurement

Description

Sales to qualified nonprofit organ procurement organizations of medical supplies, chemicals or materials are exempt from sales and use tax. The exemption does not apply to the sale of construction materials, office equipment, building equipment, administrative supplies, or vehicles.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Without contacting the two businesses that receive this exemption directly, there is no information available to complete an estimate.
- Revenue impact of this exemption is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit organizations that locate and obtain human organs for transplant operations
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.0281; 82.12.0275 - Prescription drugs

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 and use tax, as long as the drugs are prescribed by a physician. In addition, drugs and devices for birth control that are supplied by a family planning clinic that is under contract with the Department of Health to provide family planning services are exempt from retail sales tax. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$581.724	$603.740	$625.984	$648.524
Local Taxes	$252.912	$262.484	$272.155	$281.954

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$553.428	$625.984	$648.524
Local Taxes	$0.000	$240.610	$272.155	$281.954

Assumptions

Eleven months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1974
Primary Beneficiaries:	Patients purchasing prescription drugs
Taxpayer Count:	5,199,299
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0282; 82.12.0276 - Returnable containers

Description

Sales and use of returnable food or beverage containers are exempt from retail sales and use tax. This includes items such as soft drinks, milk, and beer.

Purpose

Retailer purchases of nonreturnable food and beverage containers are exempt from sales and use tax because the containers are 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.120	$0.130	$0.141	$0.153
Local Taxes	$0.057	$0.056	$0.061	$0.066

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.119	$0.141	$0.153
Local Taxes	$0.000	$0.051	$0.061	$0.066

Assumptions

- Much of the revenue impact is from kegs used by Washington breweries; minimal revenue impact from other containers such as glass milk jars.
- Annual rate of purchases is 20 percent of growth of the industry, which is 9 percent.
- Eleven months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

National Brewers Association statistics

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1974
Primary Beneficiaries:	Firms that purchase containers for supplying food and beverages to consumers which is returned by the consumer to the vendor
Taxpayer Count:	394
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.08.0283; 82.12.0277 - Medical devices, naturalpathic medicine, and oxygen

Description

The following health-related products or devices receive an exemption from retail sales and use tax:

- Prosthetic devices, including eyeglasses and frames, that are prescribed for individuals by a person licensed by the state to prescribe them;
- Medically prescribed oxygen and oxygen delivery systems;
- Medicine of mineral, animal or botanical origin that is prescribed, administered, dispensed or used in the treatment of an individual by a naturopath; and,
- Components of prosthetic devices and charges for repairing devices exempted by this statute.

In 2004, exemptions for ostomic items and insulin shifted to other statutes.

Purpose

To reduce the cost of medical care.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$48.000	$48.960	$49.939	$50.938
Local Taxes	$20.869	$21.286	$21.712	$22.146

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$44.880	$49.939	$50.938
Local Taxes	$0.000	$19.512	$21.712	$22.146

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Assume two percent annual growth.

Data Sources

Washington State Joint Legislative Audit and Review Committee

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1961
Primary Beneficiaries:	Individuals purchasing prescribed medical equipment
Taxpayer Count:	5,570,678
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.0285; 82.12.0279 - Ferry boat construction and repair

Description

The retail sales tax does not apply to sales of or charges made for constructing and improving ferry boats for the state of Washington or local governments. The use tax does not apply to the use of labor and services rendered in respect to improving such ferry boats.

Purpose

Supports state and local governments by reducing the cost of building or repairing these boats.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.525	$5.525	$18.200	$18.200
Local Taxes	$2.380	$2.380	$7.840	$7.840

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.065	$18.200	$18.200
Local Taxes	$0.000	$2.182	$7.840	$7.840

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Department of Transportation

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1977
Primary Beneficiaries:	Publicly operated ferry systems
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.08.0287; 82.12.0282 - Ride-sharing vehicles

Description

Sales or use of passenger motor vehicles used primarily for commuter ride-sharing or transportation of persons with special needs are exempt from retail sales and use taxes. The vehicles must be used as ride-sharing vehicles for thirty-six consecutive months beginning from the date of purchase or first use.

To qualify under commuter ride sharing, the vehicle must be carrying five or six passengers and be operated in a county that has adopted and implemented a commute trip reduction plan. Additionally, one of the following must apply:

- Vehicle is operated by a public transportation agency for the general public;
- Vehicle is used by a major employer as an element of its commute trip reduction program; or,
- Vehicle is owned and operated by individual employees and is registered with either the employer or with a public transportation agency servicing the area where the employees live or work.

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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.995	$0.982	$0.984	$0.999
Local Taxes	$0.413	$0.408	$0.409	$0.415

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.900	$0.984	$0.999
Local Taxes	$0.000	$0.374	$0.409	$0.415

Assumptions

- Growth rate will mirror auto sales growth rate in March 2019 economic forecast.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1980
Primary Beneficiaries:	Ride share vehicle dealers and purchasers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.08.02875 - Football stadium and exhibition center parking

Description	Charges for parking vehicles at facilities owned by a public stadium authority are exempt from retail sales and use tax if the authority levies a local parking tax under RCW 36.38.040 to help finance construction and operation of the football stadium and adjoining exhibition center.
Purpose	To avoid charging parking customers both the local parking tax and retail sales tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers benefit from this exemption; impact not disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1997
Primary Beneficiaries:	Public Stadium Authority and users of the parking facility at Century Link Field/Exhibition Center
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.0288; 82.12.0283 - Leased irrigation equipment

Description

Leases of irrigation equipment are exempt from retail sales and use tax, if:

- The lessor purchased the equipment to irrigate land they control;
- The lessor paid sales or use tax on the equipment;
- The equipment is attached to the land;
- The equipment is an incidental part of the land lease; and,
- The equipment is not used in the production of marijuana.

Purpose

Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, the owner of the land previously paid the sales tax on the equipment. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.432	$2.505	$2.580	$2.657
Local Taxes	$0.660	$0.679	$0.670	$0.721

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.296	$2.580	$2.657
Local Taxes	$0.000	$0.566	$0.670	$0.721

Assumptions

- Washington farmers irrigate over 1.8 million acres according to 2017 Census of Agriculture.
- On average, 15 percent of irrigation systems are on leased land.
- According to 2008 irrigation survey, Washington farmers spent $45.57 million on irrigation maintenance and repairs which averages to $30.04 per acre.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U. S. Department of Agriculture (USDA) 2008 irrigation survey
- 2017 USDA census data
- Northwest Agricultural Irrigation Market Characterization and Baseline study

Additional Information

Additional Information

82.08.0288; 82.12.0283 - Leased irrigation equipment

Category:	Agriculture
Year Enacted:	1983
Primary Beneficiaries:	Farmers leasing land to include irrigation equipment
Taxpayer Count:	Unknown, almost 15,000 farms use irrigation
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.0291; 82.12.02917 - Recreation services and physical fitness classes

Description

Amusement, recreation and physical fitness services provided by nonprofit youth organizations to members of the organization and physical fitness classes provided by a local government are exempt from retail sales and use tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues due to SHB 1550 passed in 2015.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If this exemption was eliminated these activities would not be subject to sales tax.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations and their members
Taxpayer Count:	600
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.02915; 82.12.02915 - Housing for youth in crisis

Description

Nonprofit health or social welfare organizations are exempt from retail sales and use taxes on purchases of materials used in the construction of licensed alternative housing facilities for youth who are "in crisis." The exemption does not extend to charges for labor or services associated with the construction of these facilities.

Purpose

To encourage construction of shelters for youth who have left home.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.117	$0.123	$0.129	$0.135
Local Taxes	$0.051	$0.054	$0.056	$0.059

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.113	$0.129	$0.135
Local Taxes	$0.000	$0.045	$0.056	$0.059

Assumptions

- New construction accounts for 10% of total value.
- Five percent growth in assessed values.

Data Sources

- Department of Social and Health Services, child welfare group home contracts
- Runstad Center for Real Estate Studies, University of Washington, median home values by county

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit organizations housing youth in crisis
Taxpayer Count:	About 50 statewide
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.08.0293; 82.12.0293 - Food and food ingredients

Description

Food and food ingredients purchased for human consumption are exempt from retail sales and use tax. The definition of food and food ingredients excludes alcoholic beverages, tobacco products, marijuana, useable marijuana, and marijuana-infused products.

Exemption does not apply to soft drinks, bottled water, or dietary supplements, and prepared foods, except when furnished, prepared, or served as meals to certain qualified low-income, disabled, or senior citizens as described in RCW 82.08.0293(3).

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,176.617	$1,188.689	$1,200.884	$1,213.206
Local Taxes	$511.549	$516.798	$522.100	$527.457

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1,089.631	$1,200.884	$1,213.206
Local Taxes	$0.000	$473.731	$522.100	$527.457

Assumptions

- Due to historical fluctuations in Basic Foods, exempt sales assume one percent growth each fiscal year.
- Estimates do not include items that are also exempt under RCW 82.08.0297 (items purchased with food stamps).

Data Sources

- Department of Revenue excise tax return data
- Department of Social and Health Services
- Office of Financial Management
- Forecast of the state population by age and sex

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1982
Primary Beneficiaries:	Consumers who purchase food products
Taxpayer Count:	7,427,570
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0294; 82.12.0294 - Aquaculture feed

Description

Persons who raise fish in confined rearing areas for sale are exempt from retail sales and use tax on purchases of feed.

Purpose

To provide equivalent treatment with farmers whose purchases of feed for their livestock are exempt from sales and use tax. This recognizes that aquaculture and agriculture are similar activities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.070	$0.070	$0.070	$0.070
Local Taxes	$0.020	$0.020	$0.020	$0.020

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.060	$0.070	$0.070
Local Taxes	$0.000	$0.020	$0.020	$0.020

Assumptions

- All fish food sellers are registered and reporting.
- No growth, estimate based on five year average.
- July 1, 2020, effective date, with 11 months cash collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Fish farmers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.0296; 82.12.0296 - Livestock feed

Description

Feed consumed by livestock at public livestock markets is exempt from the sales and use tax.

Purpose

Feed sold to farmers is already exempt from the sales and use tax. This provision extends the exemption to feed consumed by livestock (e.g., cattle) while awaiting sale at a livestock market.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.148	$0.148	$0.148	$0.148
Local Taxes	$0.015	$0.015	$0.015	$0.015

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.136	$0.148	$0.148
Local Taxes	$0.000	$0.012	$0.015	$0.015

Assumptions

- On average, livestock are kept at public markets one day before being sold.
- An average is used due to variability in expense amounts.
- No growth.

Data Sources

- U. S. Agriculture Census http://www.nass.usda.gov/wa/
- http://agr.wa.gov/FoodAnimal/Livestock/LicensedCertifiedFeedlotsPublicMarkets.aspx

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1980
Primary Beneficiaries:	Operators of public livestock markets
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.0297; 82.12.0297 - Food stamp purchases

Description

Food items that are taxable in Washington and eligible for purchase with food stamps issued by the U.S. Department of Agriculture are exempt from retail sales and use tax. This includes products such as:

- Soft drinks;
- Vitamins; and,
- Cold, prepared deli items not considered as food items for home consumption.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$94.856	$95.828	$96.812	$97.805
Local Taxes	$41.240	$41.663	$42.090	$42.522

Repeal of exemption

Repealing this exemption would increase revenues. However, the state would have to forego participation in the federal food stamp program.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$87.844	$96.812	$97.805
Local Taxes	$0.000	$38.191	$42.090	$42.522

Assumptions

Impact is for all food stamp purchases.

Data Sources

- Department of Revenue excise tax return data
- Department of Social and Health Services data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1987
Primary Beneficiaries:	Food stamp recipients
Taxpayer Count:	1,270,574
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
JLARC Review:	Not reviewed by JLARC

82.08.0298; 82.12.0298 - Commercial fishing boat fuel

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 and use taxes. These vessels must regularly operate outside of state territorial waters and the gross income from fishing must be at least $5,000 annually.

Purpose

Recognizes that the majority of such fuel is consumed outside of the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.362	$1.397	$1.451	$1.498
Local Taxes	$0.592	$0.608	$0.631	$0.651

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.281	$1.451	$1.498
Local Taxes	$0.000	$0.557	$0.631	$0.651

Assumptions

- Commercial fishing fuel usage is approximately 4,977 gallons/year/vessel.
- Charter fishing vessel fuel usage is approximately 13,201 gallons/year/vessel.
- Fuel usage remains constant; no annual growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Vessel List: Department of Revenue Special Programs, compiled July 2019
- March 2019 IHS Markit forecast tables
- Economic Fisheries Information Network (2018)
- West Coast and Alaska Marine Fuel Prices 2016 to 2018: Annual Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Commercial fishing and commercial charter fishing operations
Taxpayer Count:	759
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.0299 - Lodging for homeless people

Description

Emergency lodging provided to homeless persons under a shelter voucher program is exempt from sales tax. The exemption applies for a period up to 30 consecutive days per recipient, the voucher must be given by a local government agency or private organization providing emergency food and shelter for homeless persons.

Purpose

To reduce the cost of providing housing services for the homeless.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.018	$0.019	$0.019	$0.020
Local Taxes	$0.019	$0.020	$0.021	$0.021

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.017	$0.019	$0.020
Local Taxes	$0.000	$0.017	$0.021	$0.021

Assumptions

- Homelessness was decreasing until 2013 but has increased since then.
- County Coordinated Entry programs provide emergency lodging vouchers.
- Organizations like Catholic Community Services provide emergency housing but do not use vouchers anymore, they pay directly for hotel/motel rooms.
- City of Seattle budgeted $190,000 for its emergency housing voucher program, the rest of the state is similar for $380,000 total.
- Average voucher is $80-$100.
- Due to the 2 percent state shared hotel motel tax, the state impact is based on overall rate of 4.5 percent and the local impact is based on 4.826 percent rate.
- July 1, 2020, effective date with 11 months collections in Fiscal Year 2021.

Data Sources

www.seattle.gov/Documents/Departments/pathwayshome/SOEImplementationPlan.pdf

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1988
Primary Beneficiaries:	Local jurisdictions and nonprofit organizations that purchase hotel vouchers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.08.031; 82.12.031 - Artistic and cultural organizations

Description

Artistic or cultural organizations are exempt from retail sales and use tax on purchases of items acquired for purposes of exhibition or presentation to the general public. These items include 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.411	$1.460	$1.510	$1.560
Local Taxes	$0.613	$0.635	$0.656	$0.678

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.338	$1.510	$1.560
Local Taxes	$0.000	$0.529	$0.656	$0.678

Assumptions

- Growth in arts and cultural purchases will mirror retail sales growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's June 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit art and cultural organizations
Taxpayer Count:	500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.0311; 82.12.0311 - Horticultural packing materials

Description

Materials and supplies used directly in packing fresh, perishable horticultural products are exempt from retail sales and use tax (RCW 82.04.4287).

Purpose

To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.594	$0.623	$0.656	$0.687
Local Taxes	$0.161	$0.169	$0.178	$0.186

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.571	$0.656	$0.687
Local Taxes	$0.000	$0.141	$0.178	$0.186

Assumptions

- Five percent growth due to variability in production value.
- Cost of packaging materials represent 0.25 percent of production values.

Data Sources

- U. S. Department of Agriculture, 2017 Census of Agriculture
- 2018 Washington Annual Agriculture Bulletin

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1988
Primary Beneficiaries:	Fruit and vegetable packers
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.0315; 82.12.0315 - Film and video production equipment or services

Description

Rental of production equipment or sale of production services to a motion picture or video production business is exempt from retail sales and 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.500	$2.500	$2.500	$2.500
Local Taxes	$1.100	$1.100	$1.100	$1.100

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.300	$2.500	$2.500
Local Taxes	$0.000	$1.000	$1.100	$1.100

Assumptions

- Seattle makes up 58% of Washington sales by the Motion Picture/Video Production industry.
- Cost of production is 40 percent of sales.
- 32 percent of the cost of production are the equipment\services exempted.
- Eleven months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

City of Seattle, Film Office

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Motion picture and video production companies
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.0316; 82.12.0316 - Cigarettes, tribal contracts

Description

Sales of cigarettes by Indian retailers are exempt from retail sales and use tax if their tribes have entered into a cigarette tax contract with the state of Washington.

Purpose

Cigarette contracts between the state and Indian tribes are intended to provide consistency in the regulation and taxation of cigarettes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$19.500	$19.500	$19.500	$19.500
Local Taxes	$8.500	$8.500	$8.500	$8.500

Repeal of exemption

Repealing this exemption would not increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repeal of this exemption would not increase revenues.

Data Sources

- Department of Revenue
- Washington Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2001
Primary Beneficiaries:	State, local and Tribal governments
Taxpayer Count:	Not applicable
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.0317 - Vehicle sales to tribal members

Description	Motor vehicles purchased by a tribe or an enrolled member of a federally recognized tribe are exempt from sales tax.

Description

Motor vehicles purchased by a tribe or an enrolled member of a federally recognized tribe are exempt from sales tax.

In order to qualify, the buyer must provide to the seller:
- The buyer's tribal membership or citizenship card;
- The buyer's certificate of tribal enrollment; or,
- A letter signed by a tribal official confirming the buyer's tribal membership status.

In addition, the seller must deliver the motor vehicle to the buyer. The seller must document the delivery by completing a declaration form, attesting to the delivery location and the enrollment status of the tribal member. The seller and buyer must sign the form. Delivery requirements do not apply if the sale is made to the tribe or tribal member in their Indian country.

"Indian country" has the same meaning as provided in 1821 U.S.C. Sec. 1151. "Tribe" means a federally recognized tribe. "Tribal member" means an enrolled member of a federally recognized tribe.

Purpose

To clarify the documentation and delivery requirements necessary to support tax exempt sales of motor vehicles to tribes or tribal members in their Indian country.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Enrolled members of Washington tribes are already constitutionally tax exempt.
- No revenue impact.

Data Sources

U. S. Census Bureau

82.08.0317 - Vehicle sales to tribal members

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2016
Primary Beneficiaries:	Enrolled tribal members within Washington State
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.032; 82.12.032 - Used park-model trailers

Description

The sale, rental, or lease in excess of 30 days of a used park-model trailer, is exempt from retail sales and use tax.

Purpose

To provide consistent tax treatment for used park-model trailers and residential real estate.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Taxpayer savings and revenues realized are indeterminate, due to the lack of available data on sales and rentals.
- The amount of long-term rental activity for park model trailers is minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2001
Primary Beneficiaries:	Buyers, sellers, and long-term renters of used park model trailers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.033; 82.12.033 - Used mobile homes

Description

The sale, rental, or lease in excess of 30 days of a used mobile home attached to the land, is exempt from retail sales and use tax.

Purpose

To provide consist tax treatment for used mobile homes and residential real estate.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$71.942	$73.893	$75.808	$78.251
Local Taxes	$31.278	$32.126	$32.959	$34.020

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$67.736	$75.808	$78.251
Local Taxes	$0.000	$29.449	$32.959	$34.020

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Sales receipts grow at the rate forecasted for the Real Estate Excise tax.
- Rental receipts grow at the rate forecasted for property tax revenues.
- If the gross selling price for a mobile home sale was unavailable, the price was assumed to be the median value for all such sales showing nonzero values.
- For mobile home sales with a selling price above the median, 60 percent of the sales price was for the structure; the remaining portion was for land and thus the exemption does not apply.
- Among all sales classified as either single-family residences or mobile homes, 9.4 percent of these were for mobile homes. This assumption was necessary because many mobile homes are classified as single-family residences in the REET data.

Data Sources

- Washington State Economic and Revenue Forecast Council's March 2019 forecast
- Real estate excise tax forecast growth rate for sales
- Property tax forecast growth rate for rental receipts
- Department of Revenue real estate excise tax data
- U.S. Census Bureau, American Community Survey, 2013-2017, for information relating to mobile home counts and the number that are renter-occupied.
- Marcus & Millichap Research Services (2019). National Report: Manufactured House Communities, to estimate the average annual rental receipts from mobile homes, and vacancy rates.

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1979
Primary Beneficiaries:	Long-term renters and purchasers of used mobile homes
Taxpayer Count:	83,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.034; 82.12.034 - Used floating homes

Description

The sale, rental, or lease in excess of 30 days of a used floating home as defined in RCW 82.45.032, is exempt from retail sales and use tax.

Purpose

To provide consist tax treatment for used floating homes and residential real estate.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.471	$0.478	$0.484	$0.495
Local Taxes	$0.205	$0.208	$0.210	$0.215

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.438	$0.484	$0.495
Local Taxes	$0.000	$0.190	$0.210	$0.215

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Gross rental receipts for long-term rentals are near zero or zero.
- Sales receipts grow at the rate forecasted for the real estate excise tax.
- If the gross selling price for a sale was unavailable, the price was assumed to be the median value for all such sales showing nonzero values.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- Real estate excise tax forecast growth rate for sales
- King County Department of Assessments, dataset listing floating homes

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1984
Primary Beneficiaries:	Purchasers of floating homes
Taxpayer Count:	Approximately 27 per year
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.036; 82.12.038 - Core deposits & tire fees

Description

The value of returnable products such as batteries, starters, and brakes accepted by vendors for recycling or remanufacturing in a retail or wholesale sale is exempt from retail sales and use taxes. The $1.00 tire assessment imposed under RCW 70.95.510 is also exempt from sales and use taxes.

Purpose

Items returned for recycling or remanufacturing are also exempt as trade-ins, so this exemption in not needed. The exemption for the tire fee assures that sales tax is not charged on another tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.942	$0.966	$0.990	$1.015
Local Taxes	$0.409	$0.420	$0.430	$0.441

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.885	$0.990	$1.015
Local Taxes	$0.000	$0.385	$0.430	$0.441

Assumptions

Growth rates for tire fees and core deposits are consistent with the March 2019 non-general fund revenue forecast for waste tire removal.

Data Sources

- Department of Revenue non-general fund forecast, March 2019
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Buyers and sellers of new replacement vehicle tires and businesses accepting core deposits
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.037; 82.12.037 - Bad debts

Description

A seller may take a credit or refund on sales tax previously paid on “bad debts”. A “bad debt” is a debt that is not collectable. 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 on sales for which the seller does not receive payment.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.610	$6.980	$7.362	$7.772
Local Taxes	$2.870	$3.030	$3.200	$3.380

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.400	$7.362	$7.772
Local Taxes	$0.000	$2.780	$3.200	$3.380

Assumptions

- Bad debt claims can only be taken by the original seller, they cannot be assigned or assumed by third parties (e.g. banks who purchase the receivables).
- July 1, 2020, effective date with 11 months of cash collections for Fiscal Year 2020.
- Growth rate mirrors the growth rate of sales tax collections reflected in the Economic and Revenue Forecast Council's March 2019 forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council’s March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	Businesses that collect and remit sales tax
Taxpayer Count:	2,400
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.08.080 - Vending machine sales

Description

The selling price for calculating the retail sales tax on sales of tangible personal property made through a vending machine is 60 percent of the gross receipts of the total sales made through the machine.

Purpose

To clarify and ease the calculation of retail sales tax on items sold through a vending machine at a fixed price.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.510	$1.510	$1.510	$1.510
Local Taxes	$0.657	$0.657	$0.657	$0.657

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.384	$1.510	$1.510
Local Taxes	$0.000	$0.548	$0.657	$0.657

Assumptions

- Used deduction data for vending machine operators (NAICS 454210).
- Adjusted for venders who did not take the deduction.
- Assume vending sales will remain constant so no growth.

Data Sources

- Department of Revenue excise tax data
- U.S. Census data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Operators of vending machines
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.207; 82.12.207 - Standard financial information

Description

Qualifying international investment management service companies (IIMS) and their affiliates are exempt from sales and use taxes when they purchase or use standard financial information. The purchases are exempt regardless of how the information is transmitted to the buyer:

- Digital download;
- Over the Internet; or,
- Tangible media, such as a disc or via paper.

A buyer may claim the exemption on no more than $15 million in purchases per calendar year. This exemption expires July 1, 2031.

Purpose

To exempt certain standard financial information, purchased by international investment management companies, from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

This exemption applies to fewer than three taxpayers, so impacts cannot be disclosed.

Data Sources

Department of Revenue buyer addendum data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	International investment management firms
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.08.215; 82.12.215 - Nonresident large private airplanes

Description

Sales of large private airplanes to nonresidents are exempt from retail sales and use tax when the airplanes are not required to be registered with the department of transportation under chapter 47.68 RCW. The exemption also applies to charges made for repairing, cleaning, altering or improving large private airplanes owned by nonresidents. This exemption expires July 1, 2021.

Purpose

To encourage nonresidents to utilize Washington businesses for the purchase, maintenance and repair of large airplanes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would lead to a small increase in revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers reporting this incentive, therefore revenue impact cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Taxpayers who modify large planes
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.08.700; 82.12.700 - Boats sold to nonresidents - In-state use permit

Description

A retail sales and use 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 RCW 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 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.546	$0.566	$0.589	$0.613
Local Taxes	$0.251	$0.259	$0.270	$0.280

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.519	$0.589	$0.613
Local Taxes	$0.000	$0.238	$0.270	$0.280

Assumptions

- Growth rate is same as the real nonresidential fixed investment growth in the Economic and Revenue Forecast Council's March 2019 forecast.
- Average value of a vessel over 50 feet is approximately $760,000.
- Average value of a vessel between 30 and 50 feet is approximately $150,000.
- Eliminating the permit fee will offset some taxpayer savings.
- July 1, 2020, effective date with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue permitting data
- Economic and Revenue Forecast Council's March 2019 forecast
- Maritime Federation

82.08.700; 82.12.700 - Boats sold to nonresidents - In-state use permit

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Nonresident boat owners
Taxpayer Count:	31
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.803; 82.12.803 - Nebulizers

Description

A nebulizer is a device that converts a liquid medication into a mist that the patient inhales. Nebulizers prescribed for human use by a physician are exempt from retail sales and use tax. The exemption includes repair and replacement parts for nebulizers, as well as labor and service charges for cleaning, repairing, etc. Sellers must collect the sales tax, and the buyer must apply to the Department of Revenue for a refund.

Purpose

Reduces the cost of nebulizers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.449	$0.465	$0.481	$0.497
Local Taxes	$0.195	$0.202	$0.209	$0.216

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.426	$0.481	$0.497
Local Taxes	$0.000	$0.185	$0.209	$0.216

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Census
- Market Research Report
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Persons who use prescribed nebulizers
Taxpayer Count:	424,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.804; 82.12.804 - Ostomic items

Description

Ostomic items used by colostomy, ileostomy, or urostomy patients are exempt from retail sales and use tax. Ostomic 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.

Purpose

Reduces the cost of ostomic items.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.980	$0.980	$0.980	$0.980
Local Taxes	$0.372	$0.372	$0.372	$0.372

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.898	$0.980	$0.980
Local Taxes	$0.000	$0.341	$0.372	$0.372

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth will remain flat.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1988
Primary Beneficiaries:	Consumers of ostomic items
Taxpayer Count:	11,516
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.805; 82.12.805 - Aluminum smelter purchases

Description

Personal property used at an aluminum smelter, tangible personal property incorporated into buildings or other structures at an aluminum smelter, and labor and services rendered with respect to such personal property, buildings, and structures are exempt from the state portion of retail sales and use tax. The exemption is taken in the form of a B&O tax credit. This exemption expires on January 1, 2027.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers benefit from exemption; impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.08.806; 82.12.806 - Computer equipment for printers and publishers

Description

Purchases of computer equipment and software used primarily in the printing and publishing of all printed materials, and including installation and other related services, are exempt from retail sales and use taxes. Digital cameras are also exempted, but not computers and software used primarily for administrative purposes.

Purpose

To provide a tax incentive for the printing and publishing industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.410	$0.410	$0.410	$0.410
Local Taxes	$0.155	$0.155	$0.155	$0.155

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.375	$0.410	$0.410
Local Taxes	$0.000	$0.142	$0.155	$0.155

Assumptions

Eleven months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Commodity demand and commodity production reports from 2016 IMPLAN model for Washington State
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Newspapers and other printers and publishers
Taxpayer Count:	600
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.08.807; 82.12.807 - Direct mail delivery charges

Description

Delivery charges made for direct mail are exempt from retail sales and use tax if the charges are stated separately on the bill 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 exempt from taxation delivery charges (postage) for direct mail.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.786	$0.855	$0.931	$1.013
Local Taxes	$0.342	$0.372	$0.405	$0.440

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.784	$0.931	$1.013
Local Taxes	$0.000	$0.341	$0.405	$0.440

Assumptions

- Retail sales tax growth rate forecast is used for this estimate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.08.808; 82.12.808 - Comprehensive cancer centers

Description

Sales of medical supplies, chemicals, or materials to a comprehensive cancer center are exempt from retail sales and use taxes. The exemption does not extend to construction, office equipment, building equipment, administrative supplies or vehicles.

Purpose

To encourage cancer research by a comprehensive cancer center as defined in RCW 82.04.4265.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Only one entity benefits from this exemption; impact cannot be disclosed.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.809; 82.12.809 - Alternative fuel vehicles

Description

RCW 82.08.809 and 82.12.809 provide a sales and use tax exemption for sales of new passenger cars, light duty trucks, and medium duty passenger vehicles which:

- Are exclusively powered by a clean alternative fuel; or,
- Use at least one method of propulsion that is capable of being recharged from an external source of electricity and are capable of traveling at least thirty miles using only battery power.

For sales through June 30, 2016, the price of the vehicle must be $35,000 or less to qualify for the exemption. For lease agreements signed on or after July 15, 2015, lease payments are exempt if the fair market value of the vehicle is $35,000 or less at the inception of the lease. For lease agreements signed before July 1, 2015, lease payments are exempt regardless of the fair market value of the vehicle.

Beginning July 1, 2016, the sales and use tax exemption is expanded to qualifying vehicles whose lowest manufacturer's suggested retail price for the base model are less than $42,500, as determined by the Department of Licensing.

The exemption is narrowed to a maximum of $32,000 of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle.

The exemption expires when the cumulative number of qualified vehicles titled in the state reaches 7,500, as determined by the Department of Licensing. The exemption expires effective after the last day of the calendar month immediately following the month the Department of Revenue (Department) receives notice from Department of Licensing that this vehicle count has been reached. The Department must provide notice on its website of the expiration of the exemption. All leased vehicles that qualified for the exemption before the expiration continue to be exempt from sales tax through the remainder of the lease up to the $32,000 maximum amount.

Every six months, beginning the last day of July 2016, the Department must report to the transportation committees of the Legislature the cumulative number of qualifying vehicles titled in the state and the corresponding dollar amount of exempted state retail sales and use tax since July 15, 2015.

This exemption expires July 1, 2019, if the cumulative number of qualified vehicles mentioned earlier is not reached prior. The exemption expired on May 31, 2018, due to the cumulative number of qualified vehicles being reached in March 2018 and the Department notified the following month.

Purpose

To encourage the sale of alternative fuel vehicles.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.602	$0.104	$0.000	$0.000
Local Taxes	$0.665	$0.043	$0.000	$0.000

82.08.809; 82.12.809 - Alternative fuel vehicles

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.104	$0.000	$0.000
Local Taxes	$0.000	$0.043	$0.000	$0.000

Assumptions

- Exemption expired for purchases on May 31, 2018.
- Leases that are entered on or before May 31, 2018, qualify for the exemption for the remainder of the lease payments due or until the total amount of lease payments reaches $32,000.
- Average lease term is 36 months, therefore leases entered during May 2018 would end by April 2021.
- Residual value for the lease is 78.2 percent of the sales price.
- Total lease payments is less than $32,000.

Data Sources

- Department of Revenue excise tax data
- Department of Licensing

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Firms who sell and customers who purchase alternative fuel vehicles
Taxpayer Count:	3,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.08.809; 82.12.809 - Alternative fuel vehicles

Description

A portion of the sale price of certain new or used alternative fuel vehicles is exempt from retail sales and use tax.

For the purposes of this description, "alternative fuel vehicle" means passenger cars, light duty trucks, and medium duty passenger vehicles which either:

- Are exclusively powered by a clean alternative fuel; or,
- Use at least one method of propulsion that is capable of being recharged from an external source of electricity and are capable of traveling at least thirty miles using only battery power.

For the purposes of this description, "sale price" means either:

- The total price of the vehicle plus trade in at the time of purchase; or,
- For leased vehicles, the total lease payments made on the lease, plus the purchase price of the vehicle if the original lessee purchases it.

New alternative fuel vehicles with a selling price up to $45,000 qualify for this exemption. The exempt amount is determined as follows:

- August 1, 2019, through July 31, 2021, up to $25,000 of the sale price is exempt;
- August 1, 2021, through July 31, 2023, up to $20,000 of the sale price is exempt;
- August 1, 2023, through July 31, 2025, up to $15,000 of the sale price is exempt.

For new leased vehicles, the same dollar caps and timelines apply as above. However, the tax exemption is taken against the total lease payments made plus the selling price of the leased vehicle, if the original lessee purchases the leased vehicle.

Used alternative fuel vehicles with a selling price up to $30,000 also qualify for this exemption. The first $16,000 of the selling price or total lease payments made plus the selling price of the leased vehicle, if purchased by the original lessee, is exempt from sales and use tax.

For new and used vehicles, the qualification period end date is August 1, 2025. All vehicle leases signed by the qualification period end date continue to be exempt from retail sales tax until August 1, 2028.

Purpose

To encourage the sale of alternative fuel vehicles.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.907	$10.359	$10.880	$13.184
Local Taxes	$2.900	$4.300	$4.500	$5.500

Repeal of exemption

Repealing this exemption would increase revenues.

82.08.809; 82.12.809 - Alternative fuel vehicles

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$9.521	$10.880	$13.184
Local Taxes	$0.000	$3.900	$4.500	$5.5000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Sales of qualifying vehicles will grow by an average of 20 percent per year.
- Average lease term is 36 months. To adjust for leases signed over the course of a fiscal year, sales tax is allocated over four fiscal years with six months of payments reflected in the first and fourth year and 12 months of payments reflected in the second and third year.
- Average residual value of the leased vehicle is 55 percent.
- Exemption began August 1, 2019; taxpayer savings in Fiscal Year 2020 reflect a 10 month impact.

Data Sources

- Office of Financial Management, November 2018 transportation revenue forecast
- Washington State Department of Licensing

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	Consumers purchasing a new and used alternative fuel vehicle
Taxpayer Count:	8000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.810; 82.12.810 - Air pollution control facilities

Description

Construction of air pollution control facilities at a thermal electric generating facility placed in operation after 1969 and before July 1, 1975, is exempt from retail sales and use tax. The exemption is contingent upon production levels for the plant maintained above the 20 percent annual capacity factor between 2002 and 2023. All or a portion of the tax previously exempted must be repaid if production falls below this level.

Purpose

To encourage installation of air pollution control devices at the Centralia coal fired thermal generating plant.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption will increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Centralia Steam Plant facility will cease burning coal by 2025.
- No additional equipment purchases anticipated.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Centralia thermal generating plant
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.811; 82.12.811 - Coal for thermal generating plants

Description

Purchases of coal used at a thermal electric generating facility placed in operation after December 3, 1969, and before July 1, 1995, are exempt from retail sales and use tax. The exemption is contingent upon the following:

- Owners of the plant demonstrate to the Department of Ecology that progress is being made to install the necessary air pollution control devices; and,
- The facility has emitted no more than 10,000 tons of sulfur dioxide during the previous 12 months.

Purpose

To encourage installation of air pollution control devices at the Centralia coal-fired thermal generating plant.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Exemption impact affects fewer than three taxpayers; revenue impact is confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Centralia thermal generating plant
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.816; 82.12.816 - Electric vehicle battery charging stations

Description

Sales of batteries, fuel cells and infrastructure for electric or hydrogen vehicles are exempt from retail sales and use tax. The exemption is available on the sale of or charge made for:

- Batteries and fuel cells for electric and hydrogen vehicles;
- Labor and services rendered in respect to installing, repairing, altering, or improving electric vehicle batteries or fuel cells for hydrogen vehicles;
- Labor and services rendered in respect to installing, constructing, repairing, or improving electric and hydrogen vehicle infrastructure; or,
- Tangible personal property that will become a component of electric or hydrogen vehicle infrastructure during the course of installing, constructing, repairing, or improving electric or hydrogen vehicle infrastructure.

This exemption also includes hydrogen fueling stations and renewable hydrogen production facilities. Renewable hydrogen means hydrogen produced using renewable resources both as the source for hydrogen and the source for the energy input into the production process. These exemptions expire July 1, 2025.

Purpose

To encourage the use of battery and hydrogen electric vehicles through the sale of electric vehicle batteries and fuel cells, as well as the installation of electric and hydrogen vehicle infrastructure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.036	$1.237	$0.681	$0.486
Local Taxes	$0.450	$0.537	$0.262	$0.211

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.135	$0.681	$0.486
Local Taxes	$0.000	$0.492	$0.262	$0.211

Assumptions

- Sales growth for smaller recharging infrastructure is 10 percent.
- National Renewable Energy Laboratory published the Hydrogen Station Cost Estimate report in 2013. Based on the report, the average cost for a hydrogen fueling station is approximately $3 million.
- California Air Resources Board published the 2018 Annual Evaluation of Fuel Cell Electric Vehicle Deployment & Hydrogen Fuel Station Network Development. As of 3/26/19, California has 39 fueling stations with an

additional 25 developing. In 2015, 5 fueling stations were opened. This number jumped to 19 additional stations built in 2016. There are no hydrogen fuel stations in Washington, but with California's implementation, Washington would most likely install one fuel station a year beginning in Fiscal Year 2021.
- Oregon Public Broadcasting article dated April 15, 2019, states Douglas County public utility district (PUD) plans on purchasing a 2-3 megawatt electrolyzer to split water molecules to make hydrogen. PUD estimates the cost of the electrolyzer at $3 million and the purchase to occur in 2-3 years.
- The Department is unaware of any plans for a renewable hydrogen production facility besides Douglas PUD's project.
- The impact could increase significantly if a facility is built.

Data Sources

- Oregon Public Broadcasting article, www.opb.org/news/article/hydrogen-h2-fuel-renewable-dams-hydropower-washington/
- California Fuel Cell Partnership, https://cafcp.org/sites/default/files/h2_station_list.pdf

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Owners of electric or hydrogen vehicles
Taxpayer Count:	28,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.08.820; 82.12.820 - Warehouses and grain elevators more than 200,000 square feet

Description

Certain warehouses and grain elevators are eligible for an exemption in the form of a remittance of the state retail sales and use tax paid on purchases of machinery and on materials and labor for construction of these facilities. The remittance does not include local sales and use taxes.

Warehouses more than 200,000 square feet in size receive an exemption equal to:

- 100 percent of the state retail sales and use taxes paid on construction; and,
- 50 percent of the state retail sales and use taxes paid on equipment, including materials handling and racking equipment.

Grain elevators receive an exemption of state retail sales and use taxes paid based on capacity of the facility:

- 50 percent exemption with bushel capacity of 1 million, but less than 2 million;
- 100 percent exemption with bushel capacity of 2 million or more.

Purpose

To encourage construction of warehouses and grain elevators in Washington and to increase the competitiveness of warehouse and distribution industry in the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$7.200	$7.300	$7.500	$7.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$6.700	$7.500	$7.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax savings (refunds) grow 2.5 percent a year.
- Eleven months of collections in Fiscal Year 2021 with July 1, 2020 effective date.

Data Sources

Department of Revenue excise tax data

82.08.820; 82.12.820 - Warehouses and grain elevators more than 200,000 square feet

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Warehouse firms, distribution centers, grain elevators
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.830 - Nonprofit camps and conference centers

Description

Items sold by nonprofit organizations at camps or conference centers are exempt from retail sales tax if:

- The sales takes place on property exempt from the property tax; and,
- The income from the sale is exempt from B&O tax.

The exemption covers items such as lodging, parking, food and 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 camps and conference centers and to support nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.241	$1.278	$1.315	$1.354
Local Taxes	$0.540	$0.556	$0.573	$0.590

Repeal of exemption

Repealing this exemption would increase state revenues. Nonprofit organizations would collect and remit retail sales tax on items sold at camps and conference centers.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.172	$1.315	$1.354
Local Taxes	$0.000	$0.463	$0.573	$0.590

Assumptions

- Camps are an $18 billion nationwide industry.
- Overall, 5 percent of camp and conference income is from bookstore type sales.
- Annual growth of 3 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- National Center for Charitable statistics
- https://www.acacamps.org/press-room/aca-facts-trends, American Camp Association

82.08.830 - Nonprofit camps and conference centers

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	Participants at camps and conferences operated by nonprofit organizations
Taxpayer Count:	Around 200 organizations that offer camps and conferences
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.832; 82.12.832 - Gun safes

Description

Sales of gun safes are exempt from retail sales and use tax. Gun safes are 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.908	$0.940	$0.972	$1.004
Local Taxes	$0.395	$0.409	$0.422	$0.436

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.861	$0.972	$1.004
Local Taxes	$0.000	$0.374	$0.422	$0.436

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Purchasers of safes
Taxpayer Count:	74
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.08.834; 82.12.834 - Regional transit authority sales and leasebacks

Description

Lease payments or options to purchase at the conclusion of a lease in conjunction with a sale and leaseback arrangement involving a regional transportation authority (RTA) are exempt from retail sales and use taxes. Qualification requires that the seller/lessee previously paid any tax otherwise due on the original acquisition of the tangible personal property.

Purpose

A sale and leaseback arrangement is a financing mechanism used by the RTA to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The Internal Revenue Service changed its policy and no longer allows investors to write-off depreciation for federal taxes for sale and leaseback arrangements, so the RTA no longer uses this financing mechanism.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This financing mechanism is no longer used.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2004
Primary Beneficiaries:	Regional Transit Authority
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.850; 82.12.850 - Conifer seedlings exported

Description

Sales of conifer seeds that are immediately placed in freezer storage operated by the seller are exempt from retail sales and use tax if they are used for growing timber:

- Outside of Washington; or,
- In Indian country by an Indian tribe.

Purpose

To eliminate the tax disadvantage for Washington conifer seed producers compared with out-of-state producers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Only a small number of businesses are likely to export conifer seedlings.
- One large nursery in a rural county exports the majority of conifer seedlings, so taxpayer information is confidential.

Data Sources

- www.forestseedlingnetwork.com
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	A small number of Washington vendors of forest seedlings
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.855; 82.12.855 - Farm machinery replacement parts and repair

Description

Replacement parts, including installation or repair, for farm machinery primarily used in the production of agricultural products are exempt from retail sales and use taxes. The exemption is available to farmers actively engaged in producing agricultural products which resulted in at least $10,000 in gross proceeds in the previous year. Replacement parts do not include consumable supplies such as fuel or oil.

Purpose

Supports the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$22.284	$22.593	$23.642	$24.351
Local Taxes	$6.147	$6.332	$6.522	$6.717

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$22.522	$23.642	$24.351
Local Taxes	$0.000	$5.277	$6.522	$6.717

Assumptions

- Annual growth mirrors the average from 2008-2012 growth per National Agricultural Statistics Service data.
- July 1, 2020, effective date with 11 months of collections in Fiscal Year 2021.
- Two-thirds of the total expense for repairs, supplies, and maintenance is the taxable cost of farm machinery replacement parts and cost of repairs.

Data Sources

Washington Annual Agricultural Bulletin: National Agricultural Statistic Service

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Farmers
Taxpayer Count:	4,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.08.865; 82.12.865 – Fuel used on farms

Description

Sales of diesel fuel, biodiesel fuel, or aircraft fuel to a farmer or a person who provides horticulture services for farmers are exempt from retail sales and use taxes. The fuel may not be used on public highways or for heating of water or space for human habitation.

Purpose

Supports Washington farmers who use aircrafts on their farms for crop dusting.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.071	$23.356	$21.644	$22.283
Local Taxes	$5.444	$6.335	$5.871	$6.044

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$21.410	$21.644	$22.283
Local Taxes	$0.000	$5.279	$5.871	$6.044

Assumptions

- No growth rate for fuel consumption by farmers.
- Price of Washington Retail Diesel Price mirrors the Office of Financial Management forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Joint Legislative Audit & Review Committee references
- Office of Financial Management- Forecast of Quarterly Fuel Prices 2017
- U. S. Energy Information Administration (EIA) - Washington No 2 Diesel Sales/Deliveries to Farm Consumers
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2006
Primary Beneficiaries:	Washington farms or crop dusters powering their farm equipment or aircraft with diesel
Taxpayer Count:	800
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.08.870; 82.12.870 – Motorcycles used for rider training programs

Description

Retail sales tax does not apply to sales of motorcycles purchased for use in a motorcycle rider-training program conducted by the Department of Licensing (DOL). Use tax does not apply to motorcycles that are loaned to DOL for use in a motorcycle rider-training program, or to persons contracting with DOL to provide such training.

Purpose

Supports motorcycle rider-training programs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.004	$0.004	$0.004	$0.004
Local Taxes	$0.002	$0.002	$0.002	$0.002

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.004	$0.004	$0.004
Local Taxes	$0.000	$0.002	$0.002	$0.002

Assumptions

- One motorcycle purchased by each rider training school, per year.
- Average cost of motorcycles purchased by rider training schools is $4,000.

Data Sources

- Washington Department of Licensing
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2001
Primary Beneficiaries:	Department of Licensing and contractors who provide motorcycle training
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.875; 82.12.875 - Automotive adaptive equipment

Description

Eligible purchasers of prescribed add-on automotive adaptive equipment, including charges incurred for labor and services rendered in respect to the installation and repairing of such equipment are exempt from retail sales and use tax. Eligible purchaser means a veteran, or member of the armed forces serving on active duty, who is disabled, regardless of whether the disability is service connected as defined by federal statute 38 U.S.C. Sec. 101, as amended, as of January 1, 2018.

The exemption only applies if the eligible purchaser receives a reimbursement in whole or part for the purchase by the U.S. Department of Veterans Affairs or other federal agency, and the reimbursement is paid directly by the federal agency to the seller. This exemption expires July 1, 2028.

Purpose

To decrease costs of prescribed add-on automotive adaptive equipment to veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.154	$0.159	$0.165	$0.170
Local Taxes	$0.067	$0.069	$0.072	$0.074

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.146	$0.165	$0.170
Local Taxes	$0.000	$0.064	$0.072	$0.074

Assumptions

- Assume zero growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Purchasers of prescribed add-on automotive adaptive equipment
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.08.880; 82.12.880 - Livestock medicine

Description

Pharmaceuticals used by farmers for livestock are exempt from retail sales and use tax. The United States Department of Agriculture or the United States Food and Drug Administration must approve the drug. The exemption applies to sales made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

Purpose

Supports the agricultural industry by offsetting the high cost of medicine for livestock.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.285	$2.285	$2.285	$2.285
Local Taxes	$0.620	$0.620	$0.620	$0.620

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.095	$2.285	$2.285
Local Taxes	$0.000	$0.568	$0.620	$0.620

Assumptions

- Average for expenditures for medical supplies, veterinary and custom services for livestock is $70 million.
- 50 percent of these expenditures are for livestock medicine.
- Growth rate of zero percent.
- Eleven months of collections in Fiscal Year 2021 with July 1, 2020 effective date.

Data Sources

- U. S. Department of Agriculture, annual Agricultural Resource Management Survey data
- Department of Revenue local tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Farmers who raise animals for sale
Taxpayer Count:	18,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.08.890; 82.12.890 - Livestock nutrient management

Description

Equipment used for livestock nutrient management, including the maintenance and repair of equipment, as well as the installation in a facility, are exempt from retail sales and use tax. The exemption applies to purchases made after the management plan is certified pursuant to the law. The facilities and equipment must be used exclusively for the handling and treatment of livestock manure, including repair and replacement parts for such equipment.

Purpose

To support the Washington dairy industry and livestock feeding operations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.398	$0.398	$0.398	$0.398
Local Taxes	$0.108	$0.108	$0.108	$0.108

Repeal of exemption

Repealing this exemption would increase revenues. Operators of facilities used for livestock nutrient management would pay retail sales and use tax on equipment.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.365	$0.398	$0.398
Local Taxes	$0.000	$0.090	$0.108	$0.108

Assumptions

- 480 dairy farms in Washington State located in 29 counties.
- Over $1 million specifically deducted for livestock nutrient management by 9 businesses in Fiscal Year 2018.
- Over 900 businesses claim exempt sales to farmers.
- Half of the businesses sell exempt nutrient management equipment to dairy farmers.
- No growth due to varying data and a fairly stable dairy industry.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Dairies and livestock operations
Taxpayer Count:	480
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.08.900(a) – Biogas from a landfull processing equipment

Description

Persons purchasing equipment necessary to process biogas from a landfill into marketable coproducts, including but not limited to biogas conditioning, compression, and electrical generation equipment, or to services rendered in respect to installing, constructing, repairing, cleaning, altering, or improving equipment necessary to process biogas from a landfill into marketable coproducts are exempt from retail sales and use tax.

A person claiming this exemption must keep records necessary for the department to verify eligibility and provide an exemption certificate to the seller.

Purpose

To support landfills in order to stimulate investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.497	$0.497	$0.497	$0.497
Local Taxes	$0.135	$0.135	$0.135	$0.135

Repeal of exemption

Repealing this exemption would increase state revenues. Owners of landfills would pay retail sale and use tax on biogas conditioning, compression, and electrical generation equipment including construction and repairs.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.455	$0.497	$0.497
Local Taxes	$0.000	$0.113	$0.135	$0.135

Assumptions

- Cost of landfill gas (LFG) projects depend on a number of factors, including the size, location, and layout of the landfill.
- Major capital outlays include designs, permits, and installation.
- Major operation and maintenance costs include parts and materials, financing, and administration.
- About 25 landfills have LFG collection systems, 17 quantify gas collection.
- Most landfills "flare" the methane gas. Three landfills use renewable natural gas (RNG) for vehicle fuel and four generate electricity by reciprocating engines.
- The four electricity generating landfills have a capacity of about 35,000 kilowatts.
- Typical maintenance costs $180 per kilowatt per year.
- Of the three landfills that use RNG, two landfills use a pipeline injection process, one is local use.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

82.08.900(a) – Biogas from a landfull processing equipment

Data Sources

- EPA Landfill Methane Outreach Program https://www.epa.gov/lmop/project-and-landfill-data-state
- Environmental and Energy Study Institute fact sheet https://www.eesi.org/papers/view/fact-sheet-landfill-methane

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2018
Primary Beneficiaries:	Landfill owners
Taxpayer Count:	Around 25 active landfills
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.900(b); 82.12.900(b) - Anaerobic digesters

Description

Persons establishing or operating anaerobic digesters are exempt from retail sales and use tax on certain purchases, including labor charges. The exemption covers construction, repairs, cleaning, altering or improvements to an anaerobic digester and the equipment necessary to process the biogas into marketable coproducts.

Persons purchasing equipment necessary to process biogas from a landfill into marketable coproducts, including but not limited to biogas conditioning, compression, and electrical generation equipment, or to services rendered in respect to installing, constructing, repairing, cleaning, altering, or improving equipment necessary to process biogas from a landfill into marketable coproducts are also exempt from retail sales and use tax.

A person claiming this exemption must keep records necessary for the department to verify eligibility and provide an exemption certificate to the seller.

Purpose

To support anaerobic digesters in order to stimulate investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.108	$0.108	$0.108	$0.108
Local Taxes	$0.029	$0.029	$0.029	$0.029

Repeal of exemption

Repealing this exemption would increase state revenues. Owners of anaerobic digesters would pay retail sale and use tax on digester construction and repairs.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.099	$0.108	$0.108
Local Taxes	$0.000	$0.024	$0.029	$0.029

Assumptions

- No growth due to small number of digesters.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

82.08.900(b); 82.12.900(b) - Anaerobic digesters

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Washington dairies
Taxpayer Count:	Approximately 10 dairy digesters
Program Inconsistency:	None evident
JLARC Review:	JLARC did an expedited report in 2015

82.08.910; 82.12.910 - Gas used to heat chicken houses

Description

Poultry farmers are exempt from the retail sales and use tax on the purchases of propane or natural gas used to heat structures that house chickens. The propane or natural gas must exclusively heat structures that exclusively house chickens sold as agricultural products.

Purpose

To support the poultry industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.833	$1.871	$1.910	$1.951
Local Taxes	$0.497	$0.507	$0.518	$0.529

Repeal of exemption

Repealing this exemption would increase state revenues. Poultry farmers would pay sales and use tax on purchases of propane and natural gas to heat chicken houses and barns.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.715	$1.910	$1.951
Local Taxes	$0.000	$0.422	$0.518	$0.529

Assumptions

- Specific data for farmer purchases of propane or natural gas to heat chicken houses is not available.
- Estimate based on gross production value of poultry and eggs.

Data Sources

2012 U. S. Agriculture census and National Agricultural Statistical Services.

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Poultry producers
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.920; 82.12.920 - Chicken bedding materials

Description

Farmers who raise chickens for sale as agricultural products are exempt from the retail sales and use tax on purchases of chicken bedding materials. Qualifying bedding materials accumulate and facilitate the removal of chicken manure.

Purpose

This exemption supports the poultry industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.444	$0.455	$0.467	$0.479
Local Taxes	$0.121	$0.123	$0.127	$0.130

Repeal of exemption

Repealing this exemption would increase state revenues. Poultry farmers would pay retail sales and use tax on chicken bedding.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.417	$0.467	$0.479
Local Taxes	$0.000	$0.103	$0.127	$0.130

Assumptions

- Popularity of free range chicken production is on the rise.
- Specific data for farmer purchases of bedding materials for chicken houses is not available.
- Estimate based on gross production value of poultry and eggs.

Data Sources

2012 U. S. Agriculture Census and National Agricultural Statistics Service data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2006
Primary Beneficiaries:	Chicken producers
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.08.925; 82.12.925 - Dietary supplements

Description

Dietary supplements for human use, dispensed to patients pursuant to a prescription, are exempt from retail sales and use tax.

Purpose

To lessen the cost of prescribed dietary supplements.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.863	$5.980	$6.100	$6.222
Local Taxes	$2.228	$2.272	$2.318	$2.364

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.482	$6.100	$6.222
Local Taxes	$0.000	$2.083	$2.318	$2.364

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

2015 NBJ Supplement Business Report
https://www.newhope.com/managing-your-business/2015-nbj-supplement-business-report-tough-year-supplements-numbers

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2003
Primary Beneficiaries:	Persons who take dietary supplements
Taxpayer Count:	3.7 million
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.935; 82.12.935 - Drug delivery systems

Description

Disposable devices used to deliver drugs for human use are exempt from retail sales and use tax. This includes single use items such as syringes, tubing and catheters.

Purpose

To reduce the cost of single use drug delivery systems.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.932	$1.932	$1.932	$1.932
Local Taxes	$0.840	$0.840	$0.840	$0.840

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.771	$1.932	$1.932
Local Taxes	$0.000	$0.770	$0.840	$0.840

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth will remain flat.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2003
Primary Beneficiaries:	Persons using disposable devices used to deliver drugs
Taxpayer Count:	1.9 million
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.940; 82.12.940 - Over-the-counter drugs that sold by prescription

Description

Over-the-counter drugs for human use are exempt from retail sales and use tax if they are:

- Prescribed directly for patients; or,
- Purchased by hospitals or other medical facilities and prescribed to patients.

Purpose

Reduces the cost of over-the-counter drugs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$34.166	$35.362	$36.600	$37.881
Local Taxes	$14.854	$15.374	$15.912	$16.469

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$32.416	$36.600	$37.881
Local Taxes	$0.000	$14.093	$15.912	$16.469

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth will be 3.5 percent.
- Five percent of the deductions taken in Washington State for prescriptions are for over-the-counter drugs sold by prescription.

Data Sources

- Department of Revenue excise tax return data
- "Growth in the US Prescription Drug Market Slows", PharmTech.com, downloaded March 6, 2015

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Persons using prescribed over-the-counter drugs
Taxpayer Count:	2,038
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.945; 82.12.945 - Kidney dialysis equipment

Description

Kidney dialysis devices for human use are exempt from retail sales and use tax. The exemption includes repair and replacement parts for the equipment.

Purpose

To reduce the cost of dialysis equipment.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.217	$3.217	$3.217	$3.217
Local Taxes	$1.398	$1.398	$1.398	$1.398

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.949	$3.217	$3.217
Local Taxes	$0.000	$1.282	$1.398	$1.398

Assumptions

- Assume zero growth after 2017.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Centers for Disease Control and Prevention
- Diabetes.org

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Hospitals and clinics that purchase kidney dialysis equipment
Taxpayer Count:	2,327
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.950; 82.12.950 - Electricity and steam

Description

This statute specifically exempts electricity and steam from retail sales and use tax.

Note: This exemption does not change the taxability of electricity and steam. The definition of tangible personal property subject to Washington sales and use tax excludes the sale of electricity and steam. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Statute is necessary for definitional purposes only.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2003
Primary Beneficiaries:	Purchasers of electricity and steam
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.956; 82.12.956 - Hog fuel used to produce energy

Description

Hog fuel used to produce electricity, steam, heat, or biofuel is exempt from retail sales and use taxes. Hog fuel is wood waste and other wood residuals including forest derived biomass, excluding firewood and wood pellets.

This exemption expires June 30, 2024.

Purpose

To utilize Washington's abundant natural resources to promote diversified renewable energy use.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.030	$2.030	$2.030	$2.030
Local Taxes	$0.880	$0.880	$0.880	$0.880

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.861	$2.030	$2.030
Local Taxes	$0.000	$0.733	$0.880	$0.880

Assumptions

- Eleven months of collections in Fiscal Year 2021 with July 1, 2020, effective date.
- Incentive amount taken over last 3 years is very consistent, no growth assumed.

Data Sources

Annual incentive reports and surveys submitted by taxpayers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	The forest products industry
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.08.962(1)(a)-(1)(c)(i)(A); 82.12.962(1)(a)-(1)(c)(i)(A) - Renewable energy equipment capable of generating not less than 1,000 watts of electricity

Description

A sales and use tax exemption is available for machinery and equipment used directly in generating electricity from wind, sun, fuel cells, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas as the principal source of power. In order to qualify for the exemption, the purchaser must use the machinery and equipment to develop a facility capable of generating at least one thousand watts of electricity. The exemption also includes sales of or charges made for installation labor and services of qualifying machinery and equipment.

From July 1, 2009, through June 30, 2011, qualifying purchases were eligible for a 100 percent exemption. Beginning July 1, 2011, through December 31, 2019, qualifying purchases are eligible for a 75 percent exemption in the form of a refund to the purchaser.

From October 1, 2017, through December 31, 2019, the exemption does not apply to sales of solar energy systems, unless the system is capable of generating more than 500 kW of electricity.

Starting on January 1, 2020, the exemption changes to the following:

- 50 percent of state and local sales and use tax paid if the Department of Labor and Industries certifies the project included procurement from and contracts with women, minority, or veteran-owned businesses. Project will still qualify for 50 percent exemption if it's proven the developer made a good faith effort to meet the standard. This exemption includes solar energy systems capable of generating more than 100 kilowatts but less than 500 kilowatts of electricity.
- 75 percent of state and local sales and use tax paid if the Department of Labor and Industries certifies the project meets the standards stated at the 50 percent level and compensates workers at prevailing wage rates determined by local collective bargaining determined by the Department of Labor and Industries.
- 100 percent of the state and local sales and use tax paid if the Department of Labor and Industries certifies the project is developed under a community workforce agreement or project labor agreement.

The installation of the qualifying machinery and equipment must commence after January 1, 2020, and be completed no later than December 31, 2029.

The exemption expires January 1, 2030.

Purpose

To support production of renewable energy sources.

82.08.962(1)(a)-(1)(c)(i)(A); 82.12.962(1)(a)-(1)(c)(i)(A) - Renewable energy equipment capable of generating not less than 1,000 watts of electricity

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.014	$0.015	$0.016	$0.018
Local Taxes	$0.006	$0.006	$0.007	$0.008

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.014	$0.016	$0.018
Local Taxes	$0.000	$0.006	$0.007	$0.008

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- U.S. Energy Information Administration provided a report stating the growth of the renewable sector is estimated to be between 6 percent and 17 percent.
- Utilized 10 percent growth rate for renewable energy sales tax exemption.
- Historically, the Department of Revenue has received a large remittance for a renewable energy project approximately every five years; so, another large project will likely be completed by the end of Calendar Year 2024 with the tax refund remitted in Fiscal Year 2025.
- Small projects will meet the standards to achieve a 75 percent sales and use tax exemption.
- Large projects will have time to complete a community workforce or project labor agreement to meet the 100 percent sales and use tax exemption.

Data Sources

- Department of Revenue tax data
- Washington State University Energy Program
- Renewablenw.org

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Purchasers of renewable energy equipment
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.08.962(1)(c)(i)(B); 82.12.962(1)(c)(i)(B) - Solar energy equipment capable of generating more than one hundred kilowatts AC but no more than five hundred kilowatts AC of electricity

Description

Beginning with projects installed after January 1, 2020, solar energy systems capable of generating more than 100 kilowatts (kW) but no more than 500 kW of electricity are eligible for an exemption in the form of a remittance of the state and local retail sales tax paid on purchases of machinery and equipment used directly to generate electricity, and labor and services rendered to install such machinery and equipment.

The Department of Labor and Industries must certify the project has met certain wage and labor requirements under RCW 82.08.962 and 82.12.962, and must provide the following documentation to the Department as part of the application in order to qualify for the remittance:

- A copy of the contractor's certificate of registration in compliance with chapter 18.27 RCW;
- The contractor's current state unified business identifier number;
- A copy of the contractor's proof of industrial insurance coverage for the contractor's employees working in Washington as required in Title 51 RCW;
- Employment security department number as required in Title 50 RCW; and, a state excise tax registration number as required in Title 82 RCW;
- Documentation of the contractor's history of compliance with federal and state wage and hour laws and regulations.

Installation of qualifying machinery and equipment must be completed before January 1, 2030, to qualify for the remittance.

Purpose

To support production of renewable energy sources.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.439	$0.880	$1.055	$1.266
Local Taxes	$0.191	$0.383	$0.459	$0.551

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.807	$1.055	$1.266
Local Taxes	$0.000	$0.351	$0.459	$0.551

82.08.962(1)(c)(i)(B); 82.12.962(1)(c)(i)(B) - Solar energy equipment capable of generating more than one hundred kilowatts AC but no more than five hundred kilowatts AC of electricity

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Utilized a 20 percent growth solar systems between 100 - 500 kilowatts based on data from Solar Energy Industry Association.
- Beginning January 1, 2020, solar energy systems between 100 and 500 kilowatts are eligible for sales and use tax exemption in the form of remittance. Only systems installed on or after January 1, 2020 can apply for remittance; utilized 60 percent of the annual impact of large scale systems for Fiscal Year 2020.

Data Sources

- Washington State University Energy Program
- Solar Energy Industry Association

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Purchasers of solar energy equipment
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.962(1)(e); 82.12.962(1)(e) - Solar energy equipment capable of generating no more than one hundred kilowatts AC of electricity

Description

Beginning July 1, 2019, a retail sales and use tax exemption is available on purchases of machinery and equipment, and the labor and services rendered to install such machinery and equipment, used to generate less than 100 kw electricity.

To qualify for the exemption, the seller must meet the following requirements at the time of sale:

- Has obtained a certificate of registration in compliance with chapter 18.27 RCW;
- Has obtained a current state unified business identified number;
- Possesses proof of industrial insurance coverage for the contractor's employees working in Washington as required in Title 51 RCW; employment security department number as required in Title 50 RCW; and, a state excise tax registration number as required in Title 82 RCW;
- Has had no findings of violation of federal or state wage and hour laws and regulations in a final and binding order by an administrative agency or court of competent jurisdiction in the past twenty-four months.

To qualify for this exemption, the buyer must provide the seller with an exemption certificate, as required by the Department.

Installation of qualifying machinery and equipment must be completed before January 1, 2030, to qualify for the exemption.

Purpose

To support production of renewable energy sources.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.385	$5.118	$5.476	$5.860
Local Taxes	$1.905	$2.224	$2.379	$2.546

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.692	$5.476	$5.860
Local Taxes	$0.000	$2.039	$2.379	$2.546

82.08.962(1)(e); 82.12.962(1)(e) - Solar energy equipment capable of generating no more than one hundred kilowatts AC of electricity

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Purchasers of systems smaller than 100 kilowatts will utilize contractors who comply with the labor requirements in order to receive the sales and use tax exemption on the cost of labor.
- Utilized a 7 percent growth for smaller solar systems based on data from the Solar Energy Industry Association.
- Exemption began July 1, 2019; taxpayer savings in Fiscal Year 2020 reflect an 11 month impact.

Data Sources

- Washington State University Energy Program
- Solar Energy Industry Association

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Purchasers of solar energy equipment
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.965; 82.12.965 - Semiconductor materials manufacturing after $1 billion investment - construction costs

Description

A retail sales and use tax exemption is available to manufacturers of semiconductor materials who construct new buildings, or parts of new buildings used for qualified manufacturing activities. The exemption is contingent upon commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion dollars.

The investment criterion has not been met, and is unlikely to occur during the forecast period of this study. If the exemption does become effective, it will expire 12 years after the effective date.

Purpose

To retain and attract semiconductor firms in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues if the contingency is met.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Incentive will not be used because the necessary facility investment will not occur during the forecast period of this study.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.08.9651; 82.12.9651 - Semiconductor materials manufacturing - gases and chemicals

Description

An exemption from retail sales and use tax is provided to manufacturers and processors for hire on purchases of gases and chemicals used to produce semiconductor materials. Manufacturers of silicon solar wafers, silicon solar cells, thin film solar devices, solar grade silicon, or compound semiconductor solar wafers also qualify for this exemption.

A person claiming the exemption under this section must file a complete annual tax performance report.

Any person who has claimed the preferential tax rate under this section must reimburse the department for fifty percent of the amount of the tax preference under this section, if the number of persons employed by the person claiming the tax preference is less than ninety percent of the person's three-year employment average for the three years immediately preceding the year in which the preferential tax rate is claimed.

This exemption expires December 1, 2028.

Purpose

To encourages the retention of existing semiconductor firms in Washington and attracts similar businesses to the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.745	$1.830	$1.919	$2.013
Local Taxes	$0.451	$0.473	$0.496	$0.520

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.678	$1.919	$2.013
Local Taxes	$0.000	$0.433	$0.496	$0.520

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate of 4.9 percent.

Data Sources

Department of Revenue excise tax data

82.08.9651; 82.12.9651 - Semiconductor materials manufacturing - gases and chemicals

Additional Information

Additional Information	
Category:	Businesses
Year Enacted:	2006
Primary Beneficiaries:	Businesses that manufacture semiconductor materials
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.08.970; 82.12.970 - Semiconductor materials manufacturing after $1 billion investment - gases and chemicals

Description

Manufacturers and processors for hire of semiconductor materials are exempt from retail sales and use tax on purchases of gasses and chemicals used in the manufacturing process. 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 dollars. The exemption expires 12 years after the effective date, or January 1, 2024, if the contingency has not occurred.

Purpose

Encourages the retention of existing semiconductor firms in Washington and attracts similar businesses to the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues, assuming the exemption becomes effective.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Incentive will not be used because the necessary facility investment will not occur during the forecast period of this study.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.08.975; 82.12.975 - Airplane pre-production computer expenditures

Description

Computer hardware, peripherals, and software used primarily to develop, design, or engineer aerospace products or provide aerospace services, are exempt from retail sales and use tax. Charges for labor and services rendered in respect to the installation of the equipment is also exempt. This exemption expires July 1, 2040.

Purpose

Encourages the development and engineering of commercial airplanes in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.800	$2.900	$2.900	$3.000
Local Taxes	$1.200	$1.200	$1.300	$1.300

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.600	$2.900	$3.000
Local Taxes	$0.000	$1.100	$1.300	$1.300

Assumptions

- Use of computers (hardware, peripherals, and software) in aerospace products designing will grow with Consumer Price Index (CPI) from the Economic and Revenue Forecast Council's March 2019 forecast.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial aircraft and components
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.08.980; 82.12.980 - Commercial airplane facilities on port district property

Description

A retail sales and use tax exemption is available to manufacturers who construct new buildings and/or new parts of buildings that will be used primarily to:

- Manufacture commercial airplanes, airplane fuselages, and airplane wings; and,
- Store raw materials and finished products.

The exemption applies to charges for:

- Labor and services rendered in respect to the constructing of new buildings;
- Materials incorporated as an ingredient or component during the course of construction; and,
- Labor and services rendered for installing building fixtures not eligible for the exemption under RCW 82.08.02565(2)(b).

Port districts, political subdivisions, or municipal corporations may also use this exemption when constructing new facilities to lease to qualifying manufacturers. This exemption expires July 1, 2040.

A person reporting under the tax rate must file a complete annual tax performance report with the department.

Purpose

To encourage the building of commercial aircraft assembly facilities in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

82.08.980; 82.12.980 - Commercial airplane facilities on port district property

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Owners of facilities producing commercial airplanes, fuselages, and wings
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.08.983; 82.12.983 - Wax or ceramic materials used to create molds

Description

Sales of wax or ceramic materials used to create molds consumed during the process of creating ferrous and nonferrous investment castings used in industrial applications are exempt from retail sales and use tax. Labor and services used to create patterns and shells used as molds also qualify.

Purpose

To encourage the production of castings in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.301	$0.307	$0.316	$0.328
Local Taxes	$0.131	$0.134	$0.137	$0.142

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.282	$0.316	$0.328
Local Taxes	$0.000	$0.122	$0.137	$0.142

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate is the same as that for manufacturing from the March 2019 Economic and Revenue Forecast Council forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Businesses creating molds
Taxpayer Count:	48
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.08.985; 82.12.985 - Insulin

Description

Insulin for use by humans is exempt from retail sales and use tax.

Purpose

To reduce the cost of insulin.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$38.074	$38.835	$39.611	$40.404
Local Taxes	$16.553	$16.884	$17.222	$17.566

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$35.599	$39.611	$40.404
Local Taxes	$0.000	$15.477	$17.222	$17.566

Assumptions

- Growth of 2 percent per year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Centers for Disease Control and Prevention
- Diabetes.org

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2004
Primary Beneficiaries:	Persons with diabetes
Taxpayer Count:	530,059
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.08.986; 82.12.986 - Data center equipment and infrastructure

Description

There is a retail sales and use tax exemption on qualified purchases of eligible server equipment and eligible power infrastructure for data centers that are located in a rural county. The exemption also includes charges for labor and services associated with installation of the equipment and power infrastructure.

Requirements to qualify:

- Facility must meet employment and facility size criteria;
- Facility is located in a rural county as defined in RCW 82.14.370; and,
- Commencement of construction must occur:
  - After March 31, 2010, and before July 1, 2011; or,
  - After March 31, 2012, and before July 1, 2015; or,
  - After June 30, 2015, and before July 1, 2025.

This exemption is limited to eight data centers that begin construction between July 1, 2015, and July 1, 2019, and a total of twelve data centers through July 1, 2025.

This exemption expires January 1, 2026.

Purpose

To promote economic development and maintain the state's leadership in technology. It also provides job growth to rural communities in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$48.057	$48.057	$48.057	$48.057
Local Taxes	$13.035	$13.035	$13.035	$13.035

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$44.052	$48.057	$48.057
Local Taxes	$0.000	$11.949	$13.035	$13.035

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers utilizing this exemption are filing an annual tax incentive survey to indicate the amount of exemption received.
- No growth rate assumed due to volatility.

82.08.986; 82.12.986 - Data center equipment and infrastructure

Data Sources

Department of Revenue annual tax incentive survey data.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Data centers located in rural counties
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.08.990 - Interstate commerce - Import and export shipments

Description

Tangible personal property imported to or exported from the U.S. is exempt from retail sales tax. This clarifies, in state statute, the U.S. Constitutional prohibition against taxation of interstate commerce. The exemption does not generally apply to property used, processed or handled within the state.

Purpose

Codifies 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repeal of this exemption would not increase revenues. 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. Traditionally these statues showed the impacts relating to import and export shipments.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Any impact the repeal of this statute may have is minimal and indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Firms engaged in international trade that ship products across Washington's borders
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.995; 82.12.995 - Public authority sales

Description

Tangible personal property and services provided by a public corporation, commission, or authority are exempt from retail sales and use tax when sold to:

- A limited liability company in which the public corporation is the managing member;
- A limited partnership in which the public corporation is the general partner; or,
- A single-asset entity required by a federal, state or local housing assistance program and directly or indirectly controlled by the public corporation.

Purpose

Minimizes the tax burden for companies receiving federal grants for low-income housing authorities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.002	$0.002	$0.003	$0.003
Local Taxes	$0.001	$0.001	$0.001	$0.001

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.002	$0.003	$0.003
Local Taxes	$0.000	$0.001	$0.001	$0.001

Assumptions

- Growth rate mirrors the retail sales tax growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Capitol Hill Housing Improvement Program
- Pike Place Market Preservation Development Authority
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public development authorities
Taxpayer Count:	Less than 10 taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.996, 82.12.996 - Battery powered electric vessels

Description

Retail sales and use tax does not apply on sales of:

- New battery-powered electric marine propulsion systems with a continuous power greater than 15 kilowatts; and,
- New vessels equipped with battery-powered electric marine propulsion systems with a continuous power greater than 15 kilowatts.

Battery-powered electric marine propulsion systems are fully electric outboard or inboard motors used by vessels, whose sole source of propulsive power is the energy stored in the battery packs. The exemption includes required accessories, such as throttles, displays, and battery packs. Vessels include every new watercraft, other than seaplanes, that are used or capable of being used as a means of transportation on the water.

This exemption expires July 1, 2025.

Purpose

To encourage the sale of inboard or outboard battery-powered electric marine propulsion systems for vessels.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.008	$0.034	$0.036	$0.038
Local Taxes	$0.438	$0.015	$0.016	$0.016

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.029	$0.036	$0.038
Local Taxes	$0.000	$0.013	$0.016	$0.016

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- National growth for boat sales is 5 percent.
- Electric boats are about 0.1 percent of the sales.
- Electric boats are forecasted to grow 11 percent annually.
- Per Geekwire, November 1, 2018, Seco Development plans to build and operate three electric water taxis from Lake Union to Renton by 2020. It is assumed the taxis will be purchased in Fiscal Year 2020.
- Exemption began August 1, 2019, therefore taxpayer savings in Fiscal Year 2020 reflects a 10 month impact.

82.08.996, 82.12.996 - Battery powered electric vessels

Data Sources

- Geekwire article, https://www.geekwire.com/2018/developer-plans-launch-water-taxis-connect-seattle-regions-tech-hubs-2020/
- PR Newswire article, https://www.prnewswire.com/news-releases/electric-boats-market-to-represent-a-significant-expansion-at-110-cagr-during-2018---2028---future-market-insights-684173351.html
- Businesswire article, https://www.businesswire.com/news/home/20180109005475/en/U.S.-Boat-Sales-Strong-Heading-2018-Poised

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	Businesses and consumers purchasing electric vessels
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.997 - Temporary medical housing

Description

Sales of temporary medical housing provided by health and social welfare organizations are exempt from retail sales and use tax.

Purpose

Reduces the cost of temporary housing for patients and their families while undergoing medical treatment.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.187	$0.187	$0.187	$0.187
Local Taxes	$0.268	$0.268	$0.268	$0.268

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.172	$0.187	$0.187
Local Taxes	$0.000	$0.223	$0.268	$0.268

Assumptions

- Current facilities: Ronald McDonald Houses (Seattle and Spokane), Sunshine House, Our House, Inn @ Cherry Hill, Transplant House, Fisher House, Tree House - A place for families, Pete Gross House/SCCA house, Because there is Hope House.
- Ronald McDonald Houses and Fisher House do not charge fees, request contributions.
- Transplant House rents by month, Pete Gross House rents by month and night.
- No growth due to small number of hospitality houses, limited number of rooms.
- 90 percent occupancy rate year around.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- National Association of Hospital Hospitality Houses Incorporated (NAHHH)
- Individual hospitality house websites

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2008
Primary Beneficiaries:	Persons seeking medical treatment away from their homes
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.998; 82.12.998 - Weatherization assistance program

Description

Sales and use tax does not apply to tangible personal property used in the weatherization of a residence under the low-income residential weatherization program, chapter 70.164 RCW. Exemption only applies to tangible personal property that becomes a component of the residence. Examples of qualifying weatherization materials include, but are not limited to, insulation and sealants, heating and cooling equipment, supplies used to seal and repair ducts. Charges for labor and services used to install these materials are subject to sales tax and use tax.

Purpose

To lower the cost of weatherization improvements so more low income households receive assistance under the Department of Commerce's weatherization program.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.405	$0.421	$0.438	$0.456
Local Taxes	$0.174	$0.181	$0.188	$0.196

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.385	$0.438	$0.456
Local Taxes	$0.000	$0.166	$0.188	$0.196

Assumptions

- 25 percent of spending on weatherization for materials.
- Revenue impact growth of four percent annually.
- Eleven months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

Washington Department of Commerce

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2008
Primary Beneficiaries:	Low income residents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.999; 82.12.999 - Joint municipal utility authority

Description

Sales or transfers made between joint municipal utility service authorities and any of its members are exempt from sales and use taxes. A joint municipal utility authority is a municipal corporation formed to better facilitate the joint provision of municipal utility services to the public.

Purpose

To clarify the law and to facilitate the ability of local government utilities to jointly plan, finance, construct, acquire, maintain, operate, and provide facilities and utility services to the public, and to reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption is unlikely to result in substantial tax revenues because these entities are already exempt, with the possible exception of tribal participants in some circumstances.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

This data is confidential because exemption affects fewer than three taxpayers.

Data Sources

- Department of Revenue data sources
- The Washington State Attorney General's Office
- The Washington State Secretary of State's Office
- Various public sector water officials

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Existing governmental water consortiums
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9994; 82.12.9994 - Bottled water - Prescription use

Description

Bottled water dispensed or to be dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or prevention of disease or medical condition is exempt from retail sales and use tax.

Purpose

To treat the prescription use of bottled water in a similar manner to all other medical prescriptions. Medical prescriptions are exempt from retail sales and use tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.005	$0.005	$0.005	$0.005
Local Taxes	$0.002	$0.002	$0.002	$0.002

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.004	$0.005	$0.005
Local Taxes	$0.000	$0.002	$0.002	$0.002

Assumptions

July 1, 2020, effective date with 11 months of cash collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2017
Primary Beneficiaries:	Persons without potable water
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.99941; 82.12.99941 - Bottled water - Primary water source unsafe

Description

Bottled water purchased by persons whose primary source of drinking water is unsafe is exempt from retail sales and use tax.

Purpose

To reduce the cost of required water.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact for this exemption are included with the exemption for bottled water dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or preventions of disease or medical condition in RCW 82.08.9994 and 82.12.9994.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2017
Primary Beneficiaries:	Persons without potable water
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9995; 82.12.9995 - Restaurant employee meals

Description

Meals provided to employees of restaurants without specific charge are exempt from retail sales and 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.505	$3.628	$3.753	$3.880
Local Taxes	$1.332	$1.378	$1.426	$1.474

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.433	$0.488	$0.505
Local Taxes	$0.000	$0.164	$0.185	$0.192

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Compliance rate of 13 percent for revenue collections in all Fiscal Years.

Data Sources

- U. S. Bureau of Labor Statistics
- May 2017 State Occupational Employment and Wage Estimates Washington, Food Preparation and Serving Related Occupations, Occupation code 35-0000
- Washington State Economic and Revenue Forecast Council February 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	19,327
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9996; 82.12.9996 - Vessel deconstruction

Description

The retail sales and use tax does not apply to sales of vessel deconstruction performed at a qualified vessel deconstruction facility or at an area over water that has been permitted under section 402 of the clean water act of 1972 for vessel deconstruction.

Purpose

To decrease the number of abandoned and derelict vessels in Washington by lowering the cost of deconstruction.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.079	$0.079	$0.079	$0.079
Local Taxes	$0.003	$0.003	$0.003	$0.003

Repeal of exemption

Repealing this sales and use tax exemption would increase state revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.073	$0.079	$0.079
Local Taxes	$0.000	$0.003	$0.003	$0.003

Assumptions

- July 1, 2020, effective date with 11 months of collections in Fiscal Year 2021.
- This exemption expires on January 1, 2025, so there will be 5 months of cash collections in Fiscal Year 2025.

Data Sources

- Department of Revenue excise tax data
- Washington State Department of Natural Resources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2014
Primary Beneficiaries:	State of Washington, vessel deconstruction businesses
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.08.9997; 82.12.9997 - Marijuana, tribal contracts

Description

State and local sales and use taxes do not apply to the sale or use of marijuana products covered by a tribal marijuana compact.

Purpose

To treat marijuana compacts in a manner similar to cigarette compacts, as a government to government relationship.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing the exemption would not increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

This data is confidential because it affects fewer than three taxpayers.

Data Sources

- Department of Revenue
- Washington Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2015
Primary Beneficiaries:	Tribal governments
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9998(1)(a); 82.12.9998 - Medical marijuana sold to qualifying patients

Description

Beginning on July 1, 2016, sales of marijuana products identified by the Department of Health as beneficial for medical use by retailers having medical marijuana endorsements are exempt from sales and use taxes when purchased by patients or designated providers who have marijuana recognition cards.

Purpose

To exempt medically beneficial marijuana from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.711	$0.722	$0.732	$0.743
Local Taxes	$0.309	$0.314	$0.318	$0.323

Repeal of exemption

Tax revenues would increase if this exemption were repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.662	$0.732	$0.743
Local Taxes	$0.000	$0.288	$0.318	$0.323

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Revenue impact grows 1.5 percent a year.

Data Sources

Department of Revenue excise tax data on medical marijuana sales

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical marijuana retailers and customers
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9998(1)(b); 82.12.9998 - Low THC products sold to qualifying patients

Description

Beginning on July 1, 2016, sales of marijuana products containing THC with a THC concentration of 0.3 percent or less, by retailers having medical marijuana endorsements, are exempt from sales and use taxes when purchased by patients or designated providers who have marijuana recognition cards.

Purpose

RCW 69.50.101(t) specifically excludes these low THC products from the definition of marijuana, so sales for medical purposes would be taxable without this exemption.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.037	$0.038	$0.039	$0.039
Local Taxes	$0.016	$0.017	$0.017	$0.017

Repeal of exemption

Repeal of the exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.035	$0.039	$0.039
Local Taxes	$0.000	$0.015	$0.017	$0.017

Assumptions

- Low THC products, containing less than 0.3 percent THC, are about 5 percent of medical marijuana sales.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth of 1.5 percent a year.

Data Sources

Department of Revenue excise tax data on medical marijuana sales

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical marijuana retailers and customers
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9998(1)(c); 82.12.9998 - Marijuana with low THC-high CBD ratio

Description

Beginning on July 1, 2016, marijuana products identified by the Department of Health to have a low THC high CBD ratio, and to be beneficial for medical use, and sold by retailers having medical marijuana endorsements, are exempt from sales and use taxes when purchased by anyone who may legally purchase marijuana.

Purpose

RCW 69.50.101(t) would exclude these products from the definition of marijuana if the concentration of THC was 0.3 percent or less making their sales taxable without this exemption.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.057	$0.057	$0.057	$0.057
Local Taxes	$0.025	$0.025	$0.025	$0.025

Repeal of exemption

Repealing this exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.053	$0.057	$0.057
Local Taxes	$0.000	$0.023	$0.025	$0.025

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data on medical marijuana sales

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical marijuana retailers and customers
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9998(1)(d); 82.12.9998 - Topical low THC sales by health care professionals

Description

Beginning on July 1, 2016, sales by health care professionals of topical, non-ingestible products containing THC with a THC concentration of 0.3 percent or less are exempt from sales and use taxes.

Purpose

RCW 69.50.101(t) would exclude these products from the definition of marijuana if the concentration of THC was 0.3 percent or less making their sales taxable without this exemption, which is not the legislature's intent.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.009	$0.009	$0.009	$0.009
Local Taxes	$0.004	$0.004	$0.004	$0.004

Repeal of exemption

Repealing this exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.009	$0.009	$0.009
Local Taxes	$0.000	$0.004	$0.004	$0.004

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Revenue impact cannot be disclosed due to confidential taxpayer information.

Data Sources

Department of Revenue tax data on medical marijuana sales

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical marijuana recipients
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9998(1)(e)(i); 82.12.9998 - Marijuana and low THC products produced and used by cooperative members

Description

Beginning July 1, 2016, marijuana products and low THC products (with a THC content of less than 0.3%) that are produced and used by cooperative members are exempted from sales and use taxes.

Purpose

The legislature does not intend to tax the activities of medical marijuana cooperatives which are barred from selling marijuana.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing the exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Revenue impact is indeterminate; the number of cooperatives is not known.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit/Other
Year Enacted:	2015
Primary Beneficiaries:	Medical marijuana cooperatives
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.08.9998(1)(e)(ii); 82.12.9998 - Resources and labor contributed by medical marijuana cooperative members

Description

Beginning on July 1, 2016, nonmonetary resources and labor contributed by an individual member of a medical marijuana cooperative are exempt from sales and use taxes.

Purpose

Cooperatives grow marijuana for their own medical use and may not sell product. It is the intent of the legislature to exempt this noncommercial activity from taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing the exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Revenue impact is indeterminate because the number of future cooperatives, future resource, and labor contributions is unknown.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Nonprofit, other
Year Enacted:	2015
Primary Beneficiaries:	Medical marijuana cooperatives
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.010(7)(c) - 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.222	$1.255	$1.284	$1.317
Local Taxes	$0.526	$0.540	$0.553	$0.567

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.150	$1.284	$1.317
Local Taxes	$0.000	$0.495	$0.553	$0.567

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Ninety days is the average use in Washington State.

Data Sources

- Joint Legislative Audit and Review Committee (JLARC)
- Global Insights growth rate for construction equipment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Out-of-state firms with contracts in Washington
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.12.0203 - Self-produced fuel (refinery fuel gas)

Description

Refinery fuel gas is subject to the following state use tax rate structure in lieu of the 6.5 percent use tax rate:

- 0.963 percent from January 1, 2018, through December 31, 2018;
- 1.926 percent from January 1, 2019, through December 31, 2019;
- 2.889 percent from January 1, 2020, through December 31, 2020; and,
- 3.852 percent from January 1, 2021, and thereafter.

However, the use of refinery fuel gas by an extractor or manufacturer is not subject to local use tax when the fuel is used directly in the operation of the particular extractive operation or manufacturing plant that produced or manufactured the same refinery fuel gas.

Purpose

To provide a lower tax rate to improve industry competitiveness.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$14.810	$11.325	$9.583	$9.583
Local Taxes	$8.908	$8.908	$8.908	$8.908

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.382	$9.583	$9.583
Local Taxes	$0.000	$8.166	$8.908	$8.908

Assumptions

- July 1, 2020, effective date with 11 months cash collections for Fiscal Year 2021.
- Zero growth due to natural gas wellhead price series discontinuation.
- Average local tax rate of 2.46 percent based on Washington State petroleum refinery locations in Whatcom, Skagit, and Pierce Counties.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Petroleum refineries
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.02084 - Digital goods used by students

Description

Use tax is not imposed when students use digital goods furnished by an elementary school, secondary school, or an institution of higher education.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not substantially increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Taxpayer savings and revenues realized are indeterminate but are considered to be minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2009
Primary Beneficiaries:	Students
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.02085(1)(a) - Digital goods used noncommercially

Description

The use tax is not imposed upon the use of digital goods that are of a noncommercial nature, such as personal emails.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this preference would have no impact.

Data Sources

Consultation with DOR staff

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2009
Primary Beneficiaries:	Individuals who send emails or otherwise use digital goods for non-commercial purposes
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.02085(1)(b) - Digital goods created for internal audience

Description

The use tax is not imposed upon the use of digital goods that are created solely for an internal audience.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Repealing this preference would have an indeterminate impact.

Data Sources

Consultation with DOR staff

Additional Information

Additional Information	
Category:	Businesses
Year Enacted:	2009
Primary Beneficiaries:	Firms that create digital goods solely for internal use
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.02085(1)(c) - Digital goods created for business needs and not for sale

Description

The use tax is not imposed upon the use of digital goods that are created solely for the business needs of the person who created them, if they are not the type of digital good that is offered for sale. Excluded digital goods include business email communications.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this preference would have no impact.

Data Sources

Consultation with DOR staff

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses that send emails or otherwise use digital goods that are not offered for sale
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.02086 - Digital products or codes obtained for free by end user

Description

Digital products and digital codes obtained free of charge are exempt from use tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Revenue impact of this exemption is indeterminate.
- The potential revenue gains for this exemption would be lower than the actual taxpayer savings as the primary beneficiaries are individuals, who are not generally required to be registered with the Department of Revenue.

Data Sources

- U.S. Census Bureau, Computer and Internet Access in the U.S. 2012
- Washington State Office of Financial Management - November 2018 state population forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2009
Primary Beneficiaries:	Consumers of digital products or codes
Taxpayer Count:	6,000,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.022(6); 82.14.230(6) - Natural and manufactured gas used for transportation

Description

The use of natural gas as a transportation fuel, when provided by a person other than a gas distribution business, is exempt from use taxes. RCW 82.16.310 provides a similar exemption for sales by gas distribution businesses.

Purpose

To promote the use of natural gas as a transportation fuel and consistency in the tax code.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.584	$21.354	$22.152	$22.980
Local Taxes	$8.949	$9.284	$9.631	$9.991

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$19.574	$22.152	$22.980
Local Taxes	$0.000	$8.510	$9.631	$9.991

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rates are based on Washington natural gas fuel consumption and west coast regional average compressed natural gas (CNG) fuel price growth rates.

Data Sources

- U.S. Department of Energy, Alternative Fuels Data Center
- Western WA Clean Cities

Additional Information

Additional Information	
Category:	Businesses
Year Enacted:	2014
Primary Beneficiaries:	Buyers and sellers of natural gas as transportation fuel
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 exemption also applies to 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,889.380	$1,954.719	$2,020.227	$2,087.635
Local Taxes	$816.247	$844.474	$872.775	$901.897

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$232.937	$525.260	$814.178
Local Taxes	$0.000	$100.633	$226.922	$351.740

Assumptions

- Average depreciation rate on tangible personal property is 50 percent.
- 50 percent of visitors to Washington locations are already Washington residents and 39.4 percent are repeat visitors.
- 22 percent of visitors drive their own car for three day trips into Washington with two visitors per car.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate is same as retail sales tax growth rate in Economic and Revenue Forecast Council March 2019 forecast.
- Compliance:
  - 13 percent revenue collections in Fiscal Year 2021,
  - 26 percent revenue collections in Fiscal Year 2022,
  - 39 percent revenue collections in Fiscal Year 2023,
  - 52 percent revenue collections in Fiscal Year 2024, and thereafter.

82.12.0251 - Nonresidents' personal property

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Autotrader.com
- CarsDirect.com
- Zillow.com
- Washington Tourism Alliance
- Irishnews.com
- Nytimes.com
- Bankrate.com

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Visitors and new Washington residents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.12.0254 - Vehicles used in interstate commerce

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;
- Vessels primarily used in conducting commercial deep sea fishing operations outside of Washington waters;
- Intra-state commuter air carriers;
- The use of any vehicle, that is registered in another state, to transport property or persons across state boundaries for a period less than 15 consecutive days by a nonresident who has at least one place of business in Washington as well as in another state; and,
- The use of any vehicle and its component parts that is used to transport property or persons for hire across state boundaries that has been issued a permit by the interstate commerce commission (or its successor agency).

Purpose

To encourage the use of Washington-based transportation providers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$193.977	$200.808	$207.722	$214.737
Local Taxes	$83.509	$86.449	$89.425	$92.446

Repeal of exemption

Repealing this exemption would likely not increase revenues. Buyers of this type of property could structure transactions to take delivery out-of-state. Also, taxing this type of property could bring a challenge under federal interstate commerce laws.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues will be realized.

Data Sources

- Department of Revenue taxpayer data
- Economic Revenue & Forecast Council March 2019 Forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Interstate carriers
Taxpayer Count:	66,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.12.02595 - Donations to nonprofits and government

Description

Tangible personal property donated to nonprofit charitable organizations and state or local governments are exempt from use tax. In addition, labor and services rendered in respect to installing, repairing, cleaning, altering, imprinting, or improving personal property that are donated to nonprofit charitable organizations and state or local governments are also exempt from use tax.

If the reason for the donation was to allow the organization to provide the property to others, the use of the property or service by the recipient is exempt. Donors who provide the property without intervening use are also exempt.

Purpose

To allow charitable donations to take place without incurring use tax liability.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.385	$2.469	$2.554	$2.640
Local Taxes	$0.906	$0.938	$0.970	$1.003

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.264	$2.554	$2.640
Local Taxes	$0.000	$0.860	$0.970	$1.003

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Washington State Economic and Revenue Forecast Council March 2019 forecast
- Giving USA Highlights 2014
- Giving in Numbers 2014 Edition

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit groups and governmental entities that receive donated items
Taxpayer Count:	317
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.0263 - Extracted fuel

Description

Use tax does not apply to the use of biomass fuel by the extractor or manufacturer when the fuel is used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same biomass fuel.

"Biomass fuel" means wood waste and other wood residuals, including forest derived biomass, but does not include firewood or wood pellets. "Biomass fuel" also includes partially organic by-products of pulp, paper, and wood manufacturing processes.

Purpose

Provide a lower tax rate to improve industry competitiveness.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No known biomass fuel extractors or manufacturers claim the exemption.
- No businesses will claim this exemption during the forecast period of this study.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Firms that manufacture wood biomass fuel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.12.0264 - Driver training vehicles

Description

Vehicles used in driver-training programs by public and private schools are exempt from use tax. The vehicles must:

- Contain dual controls; and,
- Be used exclusively by public or private schools (not commercial driver-training programs).

Purpose

Reduces the costs of providing driver-education programs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.009	$0.009	$0.009	$0.009
Local Taxes	$0.004	$0.004	$0.004	$0.004

Repeal of exemption

Repealing this exemption would increase state revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.008	$0.009	$0.009
Local Taxes	$0.000	$0.004	$0.004	$0.004

Assumptions

- Statewide, school districts have 6 cars that are under contract.
- Cars have an average age of 8 years old.
- Same number of private school driver's education cars are under contract but have a little higher value (newer).
- Since the number of driver's education cars currently leased continues to be much lower than previous years, assume no growth.

Data Sources

- Office of the Superintendent of Public Instruction's driver education car data
- Average car values from Edmunds.com

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1955
Primary Beneficiaries:	School districts
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.12.0265 - Bailed tangible personal property for research and development

Description

Use tax does not apply to the value of bailed property when the bailee consumes the property while conducting research and development, experimental and testing 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 transfer of ownership.

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 instate firms competing for the federal contracts by reducing the associated tax burden.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

There are fewer than three known taxpayers.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1961
Primary Beneficiaries:	Contractors with the federal government
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.12.0266 - Vehicles acquired while in military service

Description

Vehicles and trailers acquired and used by Washington residents serving in the armed forces and stationed outside of Washington are exempt use tax. 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.600	$4.500	$4.600	$4.600
Local Taxes	$1.900	$1.900	$1.900	$1.900

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.200	$4.600	$4.600
Local Taxes	$0.000	$1.700	$1.900	$1.900

Assumptions

- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.
- Estimated persons from Washington in the military will mirror percentage of state population to national population.
- Average length of auto ownership is 7.9 years.

Data Sources

- WA Economic & Revenue Forecast Council
- WA Office of Financial Management
- U.S. Department of Defense
- U.S. Census
- National Automobile Dealers Association
- Edmunds (used car data)

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1963
Primary Beneficiaries:	Resident members of the armed forces
Taxpayer Count:	26,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.12.0272 - Display items for trade shows

Description

Tangible personal property held for sale and 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 the state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

The effect of repealing this exemption is indeterminate, but would likely increase revenues. No data is available to determine the value of items used for display purposes.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Since the use tax exemption provided by this preference does not require beneficiaries to report, file, deduct, or otherwise document their use of the preference, it is difficult to determine taxpayer savings.
- Revenue impact is indeterminate; there is no reliable data source to estimate the impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	Manufacturers displaying items at trade shows
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.12.0284 - Computers donated to schools

Description

Public and private schools are exempt from use tax 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 does not cover donations of computers to private, nonprofit educational institutions.

Purpose

To encourage individuals and businesses to donate computer equipment to schools.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.072	$0.072	$0.072	$0.072
Local Taxes	$0.031	$0.031	$0.031	$0.031

Repeal of exemption

Repealing this exemption would increase revenues. Private nonprofit educational institutions would pay use tax on donated computers.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.066	$0.072	$0.072
Local Taxes	$0.000	$0.026	$0.031	$0.031

Assumptions

- On average, about 5,600 computers are donated annually to schools in the last 5 years.
- Used computers have an average value of $200.
- 11 months of collections in Fiscal Year 2020 due to July 1, 2021, effective date.

Data Sources

Office of Public Instruction

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Public and private schools
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.12.035 - Tax paid to other states

Description

Items brought into Washington receive a credit against use tax liability for the amount of retail sales or use taxes paid to another state or political subdivision of another state. The credit is limited to the amount of Washington use tax otherwise due.

Purpose

The primary function of the use tax is to complement the retail sales tax by asserting tax in situations where the Washington retail sales tax did not apply (purchases made in other states, items bought from private parties, etc.). This credit avoids overtaxing items where tax was paid to another jurisdiction.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.411	$0.427	$0.444	$0.463
Local Taxes	$0.179	$0.186	$0.193	$0.201

Repeal of exemption

Repealing this exemption may possibly increase revenues. Use taxes currently owed by households are virtually uncollectable. Compliance efforts aimed at small businesses are also difficult.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.372	$0.444	$0.463
Local Taxes	$0.000	$0.161	$0.193	$0.201

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate for the use tax mirrors the March 2019 forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1967
Primary Beneficiaries:	Businesses and other paying out of state taxes
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.12.225 - Nonprofit fund-raising activities - Article valued at less than $12,000

Description

Items bought or received as a prize in a contest of chance from a nonprofit organization or library that are valued at less than $12,000 are exempt from use tax if the sale is exempt under RCW 82.04.3651. This exemption expires July 1, 2020.

Purpose

To support nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.012	$0.012	$0.012	$0.012
Local Taxes	$0.005	$0.005	$0.005	$0.005

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.011	$0.012	$0.012
Local Taxes	$0.000	$0.004	$0.005	$0.005

Assumptions

- Less than 10 percent of the items bought or won as a prize in a contest of chance from a nonprofit organization or library will be valued over $12,000.
- Fifteen prizes valued at $12,000 would generate $12,000 in use tax.

Data Sources

National Center for Charitable Statistics

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2013
Primary Beneficiaries:	Prize winners of contests of chance from a nonprofit organization or library
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

82.12.800; 82.12.801; 82.12.802 - Vessel use by manufacturers or dealers

Description

These three statutes relate to the application of use tax for firms that manufacture or sell boats and boat trailers. Use tax is exempt on the following uses of a vessel and trailer by the manufacturer or a vessel dealer:

- Testing, setting-up, repairing, remodeling or otherwise making the vessel seaworthy;
- Training of employees who are involved in the manufacturing of the vessel;
- Activities promoting the sale of the vessel;
- Loaning or donating the vessel to nonprofit organizations or governmental entities for limited periods;
- Transporting, displaying or demonstrating the vessel at boat shows; and,
- Delivering, showing and operating the vessel for a prospective buyer.

Any other personal 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 not considered as taxable "intervening" uses and to provide a basis for the use tax in other taxable situations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.381	$0.394	$0.409	$0.426
Local Taxes	$0.166	$0.171	$0.178	$0.185

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.361	$0.409	$0.426
Local Taxes	$0.000	$0.157	$0.178	$0.185

Assumptions

- Taxable amount is 1% of taxable retail sales under the following NAICS:
  - 336611, ship building and repairing
  - 336612, boat manufacturers
  - 441222, boat dealers
- Growth rate is same as Real Nonresidential Fixed Investments growth rate in Economic and Revenue Forecast Council’s March 2019 forecast.

- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Boat builders and dealers
Taxpayer Count:	436
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.12.860 - Credit unions - State chartered conversion

Description

State-chartered credit unions receive an exemption from use tax on any tangible personal property, digital goods and services, certain other services defined as retail sales, or extended warranties acquired from federal, out-of-state, or foreign credit unions as a result of a merger or conversion.

Purpose

Enables state-charted credit unions to compete with federally-chartered credit unions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.127	$0.127	$0.127	$0.127
Local Taxes	$0.055	$0.055	$0.055	$0.055

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.116	$0.127	$0.127
Local Taxes	$0.000	$0.051	$0.055	$0.055

Assumptions

- Historical data varies from year to year, estimate assumes no annual growth.
- Taxable activities remain at approximately a 10-year average.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Financial Institutions - Credit Unions

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Credit unions
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.14.410 - Local sales tax cap for lodging

Description

These statutes exempt charges for lodging from any retail sales/use tax levied by a local government jurisdiction after December 1, 2000, if the local tax would have resulted in a combined tax rate on such charges in excess of 12.0 percent or the rate that would otherwise have applied on December 1, 2000.

Included in the calculation of the maximum tax rate that would have applied on December 1, 2000 are:

- State retail sales tax (6.5 percent);
- City/county local sales tax (1.0 percent);
- Transit district local sales tax (0.6 percent);
- Criminal justice local sales tax (0.1 percent);
- State convention center tax on all hotels rooms in King County except lodging businesses with less than 60 units if located in a town with a population of less than 300 (7.0 percent within Seattle; 2.8 percent elsewhere); and,
- Hotel/motel taxes levied by cities and counties (2.0 percent).

These totaled 15.2 percent for lodging within Seattle and 12.0 percent elsewhere. As a result, lodging at facilities with more than 60 units in Seattle was excluded from the additional local sales tax for transit (rate increased from 0.6 to 0.8 percent in April 2001, then to 0.9 percent in April 2007). Similarly, local sales taxes in parts of Pierce County, Wenatchee, and East Wenatchee have been restricted from new or increased local taxes on lodging.

Purpose

To encourage tourist activities in areas with high tax rates.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$4.528	$4.664	$4.804	$4.948

Repeal of exemption

Repealing this exemption would increase revenues. Seattle, Pierce County, Wenatchee and East Wenatchee lodging facilities would collect and remit the additional lodging taxes on transient rentals.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$3.887	$4.804	$4.948

82.14.410 - Local sales tax cap for lodging

Assumptions

- Growth of 3 percent per year based on historic average growth.
- RTA rate increase of 0.005.
- July 1, 2020, effective date, with 10 months of distribution in Fiscal Year 2021.

Data Sources

Department of Revenue lodging data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Hotels/motels in areas with high local tax rates
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.14.430(1) - Local regional transportation vehicles

Description

This statute authorizes a regional transportation investment district (RTID) to levy a local retail sales/use tax of up to 0.1 percent to finance regional transportation projects. Subsection (1) exempts motor vehicles from the local tax. However, subsection (2) imposes a special use tax at the same tax rate on motor vehicles purchased by residents of the district.

Purpose

This unique tax arrangement enables vehicle dealers located within a RTID to avoid collecting the 0.1 percent local sales tax for regional transportation projects from purchasers of new or used vehicles who reside outside of the district. Conversely, residents of the district who purchase vehicles from dealers located outside of the district will still be subject to the tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No jurisdictions have imposed this tax, so there is no impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2002
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident, except all other state and local sales taxes other than public safety tax, apply to motor vehicles
JLARC Review:	Not reviewed by JLARC

82.14.450(4) - Local public safety tax on vehicles

Description

Counties are authorized to levy a local retail sales and use tax of up to 0.3 percent. One-third of the receipts must be devoted to criminal justice expenditures. The county retains 60 percent of the receipts and the remainder is shared with cities on a per capita basis. Subsection (4) of the statute exempts sales of motor vehicles from the local tax. Similarly, motor vehicles leases for the first 36 months of the lease period are also exempt.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$2.700	$2.800	$2.900	$3.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$2.330	$2.900	$3.000

Assumptions

- Car dealers are registered and correctly reporting excise tax.
- Growth of 3.5 percent per FY based on March forecast by Economic and Revenue Forecast Council.
- Counties continue to levy public safety tax if vehicle exemption is repealed.
- No state impact since this is a local tax.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Vehicle dealers in the counties that impose the local public safety sales and use tax
Taxpayer Count:	500
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.14.532 - Commercial office space development

Description

This bill allows the governing authority of a city, located in a county with a population of less than 1.5 million, to designate a commercial office space development area within the city's urban center. The city may adopt a local sales and use tax remittance program to incentivize the development of commercial office space within the development area. The city may also establish a local property tax reinvestment program to make public improvements that incentivize the development of commercial office space.

Purpose

Encourage the development of high quality commercial office space in urban centers outside major metropolitan areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

This exemption is a result of recent legislation and currently has no participants. It is unknown which taxing districts will offer this exemption and how many developers will build qualifying commercial office space. This exemption is only for local sales tax and therefore a repeal would have no effect on state revenue. The property tax portion of this legislation is not an exemption. Requires local taxing districts to earmark future property taxes collected on a qualifying project, only used for public improvements that incentivize development of commercial office space.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Level of local jurisdiction and developer participation is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Office building developers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.16.0496(1)(a)(ii) - Zero emissions buses

Description

Retail sales and use tax does not apply on sales of zero emission buses. Zero emission bus means a bus that emits no exhaust gas from the onboard source of power, other than water vapor.

This exemption expires July 1, 2025.

Purpose

To encourage the sale of zero emission buses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.300	$2.300	$0.280	$0.280
Local Taxes	$0.950	$0.950	$0.120	$0.120

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.300	$0.280	$0.280
Local Taxes	$0.000	$0.950	$0.120	$0.120

Assumptions

- Per King County website, Metro transit will be acquiring 120 all-electric buses by 2020. The acquisition of the buses is between Fiscal Years 2020 and 2021.
- A news article posted on the Department of Ecology website, states 19 electric buses will be purchased using funds from the Volkswagen settlement. The 19 buses will be purchased by various transit companies.
- "Zero emission bus" includes large transit buses as well as shuttle buses, such as airport parking lot shuttles.
- Effective date for repeal of exemption is July 1, 2020. Assume a full year impact for Fiscal Year 2021. This is due to the large purchase price of the bus and companies want to complete the purchase prior to the repeal of exemption.

Data Sources

- Department of Ecology, https://ecology.wa.gov/About-us/Get-to-know-us/News/2018/$22-million-from-VW-settlement-goes-toward-electri
- King County, www.kingcounty.gov/elected/executive/constantine/news/release/2017/January/10-battery-buses.aspx

82.16.0496(1)(a)(ii) - Zero emissions buses

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	Businesses purchasing zero emission buses
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.065 - Returned motor vehicles under warranty

Description

The Department of Revenue shall credit or refund to the manufacturers the amount of the tax refunded for returns of a new motor vehicle under chapter 19.118 RCW, also known as the lemon law.

Purpose

Assures that manufacturers are not financially responsible for refunded sales tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.042	$0.042	$0.042	$0.042
Local Taxes	$0.018	$0.018	$0.018	$0.018

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.039	$0.042	$0.042
Local Taxes	$0.000	$0.017	$0.018	$0.018

Assumptions

- Due to fluctuation in the data, growth rate is zero percent.
- Eleven months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

Attorney General Office for Consumer Protection

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Manufacturers and purchasers of new motor vehicles that are found to be defective
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.32.558 – Multipurpose sports and entertainment facility deferral

Description

A qualifying business may apply for a deferral of taxes on the following:

- Redevelopment of a multipurpose sports and entertainment facility for professional ice hockey and basketball league franchises; and,
- Development of an ice hockey practice facility.

The facilities must be owned by the largest city in a county with a population of at least 1.5 million. The recipient must repay, with interest, all deferred state sales and use taxes by June 30, 2023. For local sales and use taxes, the recipient must begin repaying taxes in the first calendar year after the facility becomes operationally complete.

Purpose

Increase the fiscal stability of multipurpose sports and entertainment arenas in Washington, thereby strengthen the economic vitality of the communities in which the arenas and practice facilities are located.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. Currently, anticipated repayments of deferred local taxes are expected to begin in Fiscal Year 2022 and repayments of deferred local taxes are expected to occur in FY 2023.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

- Sales/use tax certificate to be issued by July 1, 2019.
- Project consists of a qualifying arena and a qualifying ice hockey practice facility.
- Project will be complete by mid-2021, with the first local tax repayment due on January 1, 2022, and the state tax repayment on June 30, 2023.
- Based on November 2018, IHS Markit forecast for the Federal Funds Rate, the interest rate for state excise tax assessments is 5 percent for each year through CY 2029 when final local tax repayment is due.
- Average local retail sales tax rate for King County is 3.4684 percent.
- Repealing a deferral increases revenues for any taxes not yet deferred at the time of repeal.
- Fiscal Year 2023 includes a loss of interest for deferred taxes.

82.32.558 – Multipurpose sports and entertainment facility deferral

Data Sources

- Key Arena & Practice Facility, projected purchasing schedule, current information as of February 6, 2019
- Department of Revenue interest rates for state excise taxes, August 2018
- IHS Markit's November 2018 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	NHL hockey arena and practice facility
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.580 - Museum for historic autos

Description

Provides a sales and use tax deferral for the site preparation and construction of a historic automobile museum that:

- Is owned and operated by a nonprofit organization, corporation, or association;
- Maintains and exhibits at least 500 vehicles to the public.

Deferred taxes on the facility will be repaid beginning the tenth year after the project is operationally complete, with subsequent annual payments for the following nine years.

Purpose

Encourage construction of a historic automobile museum in Pierce County.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues for purchases not yet made.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Project is complete and deferred taxes scheduled for repayment beginning December 31, 2022.
- Repealing the deferral does not impact taxes deferred under existing law.

Data Sources

Department of Revenue, Audit Division

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Historic automobile museum in Pierce County
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

82.32.760(1)(b) - Sales tax destination sourcing costs

Description

Qualifying retailers may take a credit against their state sales tax to mitigate the cost of switching from origin-based sourcing to destination-based sourcing of local sales tax. The credit equals up to $1,000 of the costs of switching. Retailers can claim credit until the total credit amount is used.

Qualifying retailers must have:

- A physical presence in Washington;
- Less than $500,000 in gross income annually;
- At least five percent of their gross income from sales delivered to physical locations away from their place of business;
- At least one percent of their gross income from sales delivered to local jurisdictions imposing sales tax other than the one to which the taxpayer reported the most local sales tax; and,
- First claimed the credit by July 1, 2009.

Qualifying retailers are ineligible for the credit if they chose to use the services of a certified service provider for two years at no cost.

Purpose

Meet the requirement of the Streamline Sales and Use Tax Agreement to help small retailers transition from origin-based sourcing to destination-base sourcing of local sales tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because businesses had to first claim this credit by July 1, 2009, and presumably have used the total credit available to them.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayers with credit available will take minimal credit in the future.

Data Sources

Department of Revenue excise tax data

82.32.760(1)(b) - Sales tax destination sourcing costs

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Retailers making change to destination-based sourcing
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.865; 88.02.620; 88.02.570 - Nonresident entity vessel owners

Description

This exemption allows a nonresident vessel owner that is not a natural person (entity-owned) to receive the nonresident vessel permit under RCW 88.02.620, if certain conditions are met.

It allows a nonresident that is not a natural person to obtain a nonresident vessel permit on or before the sixty-first day of use in Washington. Additional requirements for a nonresident vessel owner that is not a natural person are:

- The vessel must be between 30 and 164 feet in length;
- No Washington State resident is a principal of the nonresident person; and,
- The Department of Revenue has provided the nonresident vessel owner written approval authorizing the permit as defined.

This exemption expires July 1, 2026.

Purpose

To expand the economy of the maritime industry in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	D	D	D

Assumptions

Fewer than three taxpayers benefit from this tax preference and the revenue impacts cannot be disclosed.

Data Sources

Department of Revenue non-resident entity owned vessel permit data

Additional Information

Additional Information	
Category:	Sales/Use Tax
Year Enacted:	2015
Primary Beneficiaries:	Nonresident entity vessel owners
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.34.050(2); 82.34.060(2) - Pollution control facilities

Description

This exemption allows a credit against state B&O, public utility or use taxes for previously paid taxes and/or in lieu of accepting the tax exemptions. 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.

Purpose

To encourage abatement of pollution and to compensate Washington firms for the costs of upgrading pollution control facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would possibly increase revenues. Taxpayers may argue that they have a vested right to credits currently being taken that were authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Entire credit is taken against B&O tax.
- See B&O tax credit for pollution control facilities, RCW 82.04.427; 82.34.060(2).

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Businesses required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum, and food industries
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.60.040; 82.60.049 - Rural county deferral

Description

Certain businesses are eligible for a deferral of retail sales and use tax on charges for the construction, expansion, or renovation of facilities and purchases of eligible machinery and equipment when those projects are located in a county with high unemployment or in a Community Empowerment Zone (CEZ). The deferral becomes a waiver of the tax if the business maintains qualified business activities for eight years.

Eligible business activities include:

- Research and development; and,
- Manufacturing for purposes of this deferral, manufacturing also includes conditioning of vegetable seeds and activities performed by commercial testing laboratories.

The deferral program expires July 1, 2020.

Purpose

Encourages manufacturing, research and development, and job creation in areas with high unemployment.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.635	$0.000	$0.000	$0.000
Local Taxes	$2.015	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral/waiver would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Estimate uses a national level investment in fixed assets data that is adjusted to reflect Washington State investment levels.
- High unemployment counties (21) include: Adams, Clallam, Columbia, Cowlitz, Douglas, Ferry, Franklin, Grant, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Okanogan, Pacific, Pend Oreille, Skagit, Skamania, Stevens, Wahkiakum, and Yakima. Assumed these counties remain high unemployment counties until this deferral expires.
- Large investments in new structures, machinery, and equipment expenditures that would qualify for the deferral/exemption are difficult to predict; therefore,

this estimate assumes no large new structures will be built in Washington. Large projects may significantly change the fiscal impact.
- Statewide average local tax rate is 2.8260 percent.
- Annual growth is equal to the growth in non-residential investment in R&D and private investment in industrial facilities for the U. S. forecasted by IHS Markit and the Economic Revenue Forecast Council's March 2019 forecast.
- Deferral expires July 1, 2020. No additional applications will be accepted for this deferral after this date, resulting in no further fiscal impact.

Data Sources

- Bureau of Labor Statistics employment data
- Bureau of Economic Analysis fixed asset data
- Department of Revenue tax return data
- Department of Revenue high unemployment county sales/use tax deferral data
- Department of Revenue average local tax rate
- IHS Markit March 2019 forecast of non-residential investment in R&D and private investment in industrial facilities

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Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Qualifying R&D and manufacturing projects in high unemployment counties
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

82.66.040 - Horse racing track deferral

Description

Provides a 10-year sales and use tax deferral for the construction of a thoroughbred horse racing facility that:

- Is located in Western Washington; and,
- Commenced construction by July 1, 1998.

Emerald Downs was completed in 1996, and the first repayment of the deferred tax was made on December 31, 2006.

Purpose

To encourage construction of the Emerald Downs track.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would not increase revenues. The previously deferred tax is being repaid over a 10-year period.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Horse track deferral was paid off in Fiscal Year 2016.

Data Sources

Department of Revenue data from Special Programs

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Emerald Downs track, and Washington horse racing industry
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.82.020(2) - Corporate headquarters in a Community Empowerment Zone (CEZ)

Description

Qualifying businesses with corporate headquarters located in a community empowerment zone (CEZ), receive a deferral of retail sales and use tax on charges for the construction or expansion of facilities. The deferral becomes a waiver of the tax if the business maintains qualified business activities for eight years.

Qualifying businesses must:

- Employ at least 300 employees at the facility (each employee must earn at least the annual average wage for the state); and,
- Invest at least $30 million dollars in the facility.

The program is limited to two projects per biennium and only one project per CEZ, per biennium. This deferral/waiver program expires December 31, 2020.

Purpose

Encourages investment and job creation in community empowerment zones.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral/waiver would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

As of April 2019, there have been no applications for this deferral.

Data Sources

Department of Revenue deferral data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

82.85.050; 82.85.060 - Manufacturer's job creation (Invest in Washington) pilot program

Description

The Invest in Washington pilot program creates a sales and use tax deferral for two investment projects per calendar year. The deferral applies to sales and use taxes on up to $10 million in charges for construction, expansion, or renovation of facilities and purchases of eligible machinery and equipment. One project must be in eastern Washington and one project must be in western Washington. Projects approved for a rural deferral (RCW 82.60) cannot receive this deferral; projects cannot receive multiple pilot program deferrals. Program expires January 1, 2026.

Purpose

To evaluate the effectiveness of investing sales and use taxes from new investments into workforce training programs that support manufacturing businesses and create jobs and capital investments in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.601	$0.601	$0.601	$0.601
Local Taxes	$0.261	$0.261	$0.261	$0.261

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of repeal. Estimate assumes deferred taxes are due beginning the fifth year after project has been certified as operationally complete, continues for the next nine years. Anticipated repayments of deferred taxes begin in Fiscal Year 2022.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.551	$0.601	$0.601
Local Taxes	$0.000	$0.240	$0.261	$0.261

Assumptions

- Two projects of average value will be approved each year, one on the east side of the state and one on the west side of the state.
- 11 months of cash collections in Fiscal Year 2021 and July 1, 2020, effective date.

Data Sources

Department of Revenue deferral database

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Manufacturing businesses
Taxpayer Count:	2 projects per year
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 21
Soft Drinks Syrup Tax

82.64.030(1) - Carbonated beverage syrup previously taxed

Description

Successive sales of syrup used to produce carbonated beverages are exempt from the syrup tax if the syrup was previously taxed.

Purpose

To avoid pyramiding of the tax. This exemption assures that the tax will apply only once to any particular gallon of syrup.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Businesses paying the tax use most of the syrup so the taxpayer savings is minimal.

Data Sources

No data on successive sales of previously taxed syrup

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Carbonated beverage retailers and wholesalers who use syrup
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.64.030(2) - Carbonated beverage syrup exported

Description

Soft drink syrup shipped out of state is exempt from syrup tax.

Purpose

Limits the soft drink syrup taxed to soft drinks consumed in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No data showing syrup taxpayers taking a deduction for out of state sales.
- Tax savings is minimal since most syrup is used by the firm that pays.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Carbonated beverage syrup exporters
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.64.030(3) - Trademarked carbonated beverage syrup

Description

Wholesale sales of carbonated beverage syrup are exempt from 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.

Purpose

Avoids double taxation since the carbonated beverage syrup is taxed when originally sold by the manufacturer to the bottler.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues as the tax is shifted to the next purchasers.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Tax shifted to the next purchaser; there are no revenues or taxpayer savings.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1991
Primary Beneficiaries:	Bottlers of trademarked beverages
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.64.030(4) - Carbonated beverage syrup purchased before 6/1/91

Description

Carbonated beverage syrup taxed at first possession prior to June 1, 1991, is exempt from syrup tax.

Purpose

The imposition of the carbonated beverage tax changed in 1991. Instead of taxation at first possession of the product, the tax now applies to the wholesale transaction. This exemption avoided double taxation of the same product in 1991.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. This exemption no longer applies.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption is no longer applicable due to the shelf-life of syrup.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.64.040 - Taxes paid in other states

Description

Businesses may take a credit against the syrup tax for similar taxes paid in another state or foreign county.

Purpose

Avoids double taxation of the same product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- West Virginia, Arkansas, and the City of Chicago have various carbonated beverage syrup taxes.
- There is no data showing carbonated beverage syrup being imported into the state from these areas.
- Taxpayer savings are unknown but assumed minimal.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Carbonated beverage syrup importers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 22
Solid Waste Collection Tax

82.18.010(3) - Hazardous or toxic waste

Description

The solid waste collection tax under RCW 82.18 does not apply to hazardous or toxic waste. The tax rate is 3.6 percent of the revenue from the collection services.

Purpose

To recognize that hazardous material is not every day "solid waste," which is defined as garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. Toxic wastes require special services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.565	$0.606	$0.650	$0.696
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.555	$0.650	$0.696
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Of the total solid waste generated, one percent is hazardous or toxic.
- Revenue impact grows 7.2 percent a year.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue
- Department of Ecology

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Hazardous waste collection businesses and indirectly, the Washington public
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.18.010(3) - Recycling or salvage materials

Description

The solid waste collection tax under RCW 82.18 does not apply to material collected primarily for recycling or salvage. The tax rate is 3.6 percent of the revenue from the collection services.

Purpose

To recognize that recyclables are not “solid waste," which is defined as garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$44.100	$47.300	$50.700	$54.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$43.300	$50.700	$54.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Of the total solid waste generated, 78 percent are recyclables and salvage materials.
- Growth of 7.2 percent a year.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue
- Department of Ecology

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Solid waste collection businesses and indirectly, the Washington public
Taxpayer Count:	270
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.18.050 - Refuse service for federal government

Description

Exemption from the 3.6 percent refuse collection tax is allowed for garbage collection service provided to the federal government.

Purpose

To reflect the prohibition against taxing the federal government.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.459	$0.477	$0.490	$0.511
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues as the state is prohibited from taxing the federal government.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Collecting tax revenue would be unconstitutional, there is no revenue gain.

Data Sources

Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1986
Primary Beneficiaries:	U.S. government and its agencies
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.18.060 - Using services of another solid waste collection business

Description

The solid waste collection tax under RCW 82.18 does not apply to any solid waste collection business using the services of another solid waste collection business for the transfer, storage, processing, or disposal of the waste collected during the transaction. The tax rate is 3.6 percent of the revenue for the services.

Purpose

To prevent pyramiding and multiple taxation of a single transaction.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$12.900	$14.600	$16.700	$19.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue, but it could result in multiple taxation of a single transaction.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$13.400	$16.700	$19.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth of 13.8 percent a year.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Solid waste collection businesses
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

Chapter 23
Timber Excise Tax

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 under RCW 84.36.030 and income from the timber sales promotes, operates, and maintains 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

Reduces the cost of operating youth programs by nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1980
Primary Beneficiaries:	Youth organizations
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

84.33.0775 - Salmon habitat

Description

Timber harvested on land that is subject to enhanced aquatic resource requirements as determined by the Department of Natural Resources, such as riparian zones (defined as the interface between land and a river or stream), wetlands, or steep or unstable slopes receives a tax credit against the state portion of the timber excise tax. The credit effectively lowers the total timber excise tax rate from 5.0 percent to 4.2 percent.

Purpose

Helps 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$6.310	$6.342	$6.482	$6.624
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.814	$6.482	$6.624
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth mirrors March 2019 forecast for forest tax.

Data Sources

- Department of Revenue forest tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Timber owners
Taxpayer Count:	2,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

84.33.0776 - Quinault Nation timber harvest excise tax agreement

Description

The timber excise tax on timber harvested on fee lands within the boundaries of the Quinault reservation may be exempt from state and county timber tax. The Governor may enter into an agreement with the Quinault Nation. The agreement must provide that the tribal tax will be credited against the state and county taxes.

Purpose

To enable the Quinault Nation to benefit from the timber excise tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Exemption has not been utilized and is not expected to be utilized in the future.

Data Sources

Department of Revenue, Special Programs

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	The Quinault Nation
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.33.086 - Timber tax minimum

Description

Any timber harvester incurring less than $50 in timber excise tax liability per quarter is exempt from the timber excise tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.001	$0.001	$0.001	$0.001
Local Taxes	$0.004	$0.004	$0.004	$0.004

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.001	$0.001	$0.001
Local Taxes	$0.000	$0.004	$0.004	$0.004

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Amount remains constant.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1984
Primary Beneficiaries:	Small timber harvesters, mostly harvesters of timber on private lands
Taxpayer Count:	178
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

84.33.140(15) - Designated forest land removal due to natural disaster

Description

Compensating tax authorized in this section may not be imposed on land removed from designation as forestland solely as a result of a natural disaster such as a flood, windstorm, earthquake, wildfire, or other such calamity rather than by virtue of the act of the landowner changing the use of the property.

Purpose

Relieve a property owner of compensation tax when the property has been subject to a natural disaster.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.015	$0.015	$0.015	$0.015
Local Taxes	$0.045	$0.045	$0.045	$0.045

Repeal of exemption

Repealing this property tax exemption would increase state revenues. Unlike most property tax exemptions it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.015	$0.015
Local Taxes	$0.000	$0.021	$0.045	$0.045

Assumptions

Use of the exemption will be relatively stable from year to year.

Data Sources

County assessors and treasurers

Additional Information

Additional Information	
Category:	Individual
Year Enacted:	2017
Primary Beneficiaries:	Forest property owners that suffered a natural disaster
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

84.33.170 - Christmas trees and cottonwoods

Description

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

Purpose

To recognize that these trees are considered agricultural products, which are not subject to a tax on their harvest value.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.189	$0.191	$0.194	$0.196
Local Taxes	$0.758	$0.767	$0.776	$0.786

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.175	$0.194	$0.196
Local Taxes	$0.000	$0.703	$0.776	$0.786

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Average national Christmas tree sales growth is 1.2 percent in the past 14 years.
- Short rotation hardwood growth remains constant.

Data Sources

- U.S. Department of Agriculture, National Agricultural Statistics Service
- Pacific Northwest Christmas Tree Association
- Christmas trees sold in the United States, Statista

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1971
Primary Beneficiaries:	Growers of Christmas trees and hardwoods
Taxpayer Count:	460
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

Chapter 24
Vehicle Excise Tax

82.44.010(2) - Excluded vehicles

Description

The motor vehicle excise tax does not apply to the following vehicles:

- Campers, as defined in RCW 46.04.085;
- Dock and warehouse tractors and their cars or trailers;
- Equipment not designed primarily for use on public highways;
- Exempt registered vehicles;
- Lumber carriers of the type known as spiders;
- Mobile homes, as defined in RCW 46.04.302;
- Passenger motor vehicles, as described in RCW 82.44.015;
- Travel trailers, as defined in RCW 46.04.623;
- Vehicles not used on the public highways; and,
- Vehicles owned by nonresident military personnel of the armed forces of the U.S. stationed in the State of Washington if the nonresident military member was a nonresident of this state when enlisted into military service.

Purpose

The state tax was repealed in 2000 for most vehicles, there are some local motor vehicle excise taxes earmarked for funding of specific local projects and services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase local revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- State motor vehicle excise tax was repealed in 2000.
- State revenues would not be impacted if the exemptions under RCW 82.44.125 were repealed.
- Local revenues would be realized if these exemptions were repealed and local jurisdictions chose to assess, but these are indeterminate at this time.

Data Sources

None

82.44.010(2) - Excluded vehicles

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1955
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.44.015 - Ride-sharing vehicles

Description

The motor vehicle excise tax is exempt on passenger vehicles used primarily for commuter ride sharing and transportation of persons with special needs. The vehicles must be used as ride-sharing vehicles for 36 consecutive months beginning from the date of purchase and, in the case of vehicles used for commuter ride-sharing, meet vehicle and operation requirements.

Purpose

To encourage commute trip reduction and to alleviate congestion on the state's highways and assist those with special needs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase only local revenues because the state tax has been repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- State excise tax was repealed, so no state impact.
- Indeterminate local impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1980
Primary Beneficiaries:	Businesses that operate van pools for their employees
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.48.100(1) - Government aircraft

Description

The aircraft excise tax does not apply to aircraft owned by and used exclusively in the service of governmental entities which are not engaged in carrying persons or property for commercial purposes.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues in the case of federal aircraft. However, repealing this exemption would increase revenues in the case of state and local aircraft.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amount of tax exempted cannot be determined.
- Data not tracked by Washington State Department of Transportation Aviation Division.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1949
Primary Beneficiaries:	Governmental entities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.48.100(2) - Aircraft registered in a foreign country

Description

The aircraft excise tax does not apply to aircraft registered under the laws of a foreign country.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing exemption would not increase revenues due to challenge under federal law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amount of tax exempted cannot be determined.
- Washington State Department of Transportation does not track this information.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1949
Primary Beneficiaries:	Washington owners of private aircraft registered in another state or country
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.48.100(3) - Nonresident aircraft registered outside Washington

Description

Aircraft owned by a nonresident and registered in another state is exempt from the aircraft excise tax if the aircraft remains or is based in this state for a period of less than 90 days.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Enforcement under current laws would be difficult.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The amount of tax exempted cannot be determined.
- Washington State Department of Transportation does not track this data.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1949
Primary Beneficiaries:	Nonresident aircraft owners
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.48.100(4) - Commercial aircraft

Description

The aircraft excise tax does not apply to aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce. However, this exemption does not apply to such aircraft if it will be in this state exclusively for the purpose of continual storage of not less than one full calendar year.

Purpose

The purpose of this exemption is to not interfere with foreign or interstate commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The repeal would be challenged under federal law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The amount of exempted tax cannot be determined.
- Washington State Department of Transportation does not track this information.

Data Sources

None

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Commercial interstate air carriers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.48.100(5) - Aircraft testing or crew training

Description

The aircraft excise tax does not apply to aircraft owned by the manufacturer while being operated for test or experimental purposes, or for the purpose of training crews for purchasers of the aircraft.

Purpose

To lower operating costs of manufacturers developing new aircraft and lowering crew training costs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amount of exempted tax cannot be determined.
- Washington State Department of Transportation does not track this data.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1949
Primary Beneficiaries:	Manufacturers of aircraft
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.48.100(6) - Aircraft held for sale

Description

Aircraft held as stock in trade by a licensed aircraft dealer for the sole purpose of sale, exchange, delivery, testing, or demonstration purposes 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.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amount of exempted tax cannot be determined.
- Washington State Department of Transportation does not track this data.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1955
Primary Beneficiaries:	Aircraft dealers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.48.100(7) - Nonresident keeping aircraft in-state at Pullman-Moscow Airport

Description

Nonresident owners of planes kept at an airport jointly owned by governmental entities of Washington and another state are exempt from the aircraft excise tax. The nonresident owner must pay all taxes, license fees, and registration fees required by the state where the owner resides.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.001	$0.001	$0.001	$0.001
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresident owners could relocate their planes to their home state.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.001	$0.001	$0.001
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amount of the exemption will be constant each year, no growth is expected.
- Tax adjustment to Aeronautics fund is not material and is not shown in this estimate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Department of Transportation.

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1999
Primary Beneficiaries:	Nonresidents keeping their aircraft at the Pullman-Moscow Airport
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.48.100(8) - Emergency medical aircraft

Description

An aircraft excise tax exemption is provided for nonprofit, emergency medical air transport providers.

Purpose

To ease the tax burden on nonprofit organizations providing emergency air transport services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, as no one currently qualifies.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amount of exempted tax cannot be determined.
- Washington State Department of Transportation does not track this information.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2010
Primary Beneficiaries:	Nonprofit medical ambulance services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2018

82.49.020(3) - Boats under 16 feet

Description

Vessels under sixteen feet in overall length are exempt from the Watercraft Excise Tax.

Purpose

To minimize administrative costs and to mirror the exemption from vessel registration under chapter 88.02 RCW for certain vessels under sixteen feet.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.000	$4.200	$4.400	$4.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.900	$4.400	$4.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rates will mirror the disposable personal income growth rates in February 2019 economic forecast.
- 11 months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

Economic & Revenue Forecast Council's February 2019 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1983
Primary Beneficiaries:	Owners of vessels under 16 feet
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.50.520(1-4) - Travel trailers and campers

Description

Travel trailers and camper units that are not subject to Travel Trailers and Campers Excise Tax (Chapter 82.50 RCW) include:

- Unoccupied units held in inventory by a manufacturer or dealer in the course of business;
- Units owned by any governmental entity;
- Units owned by nonresidents if licensed in another state; and
- Travel trailers used with a dealer's license plate.

The Legislature repealed tax-related portions of this chapter in 2000 along with the motor vehicle excise tax.

Purpose

This statute is no longer relevant.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The tax has been repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No impact, the state tax has been repealed.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1971
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	Taxation portions in this chapter of RCW have been repealed, these exemptions are no longer relevant
JLARC Review:	Not reviewed by JLARC