



STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR

P.O. Box 47454 • Tumwater, Washington 98504-7454 • (360) 534-1600 • FAX (360) 534-1606

November 27, 2019

TO: Brad Hendrickson, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: Vikki Smith, Director *VJS*

SUBJECT: 2019 Fair Report

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

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

The report is also available on our website at:

<http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/Default.aspx>.

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

Attachment

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

Fair Report

2019 Report to the Legislature



Introduction

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

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

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

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

Available Data

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

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

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

This report includes:

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

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

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

Sales Reported by Fairgrounds

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

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

Fair Vendor Estimated Sales at Certain Fairs

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

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

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

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

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

2018 Estimated Fair Vendor Sales

The following table shows:

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

2018 Fair Vendor Sales

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

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

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

2018 Estimated Sales by Fair Vendors Exclusively Occurring at the Fair

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

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

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

2019 Estimated Fair Vendor Sales

The following table shows:

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

2019 Fair Vendor Sales

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

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

2019 Estimated Sales by Fair Vendors Exclusively Occurring at the Fair

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

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

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

Conclusion

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