JLARC

State of Washington

**Joint Legislative Audit & Review Committee (JLARC)**

# 2016 Tax Preferences Preview

May 2015

*This document provides summary information on the tax preferences scheduled for review in 2016. The information is primarily from the Department of Revenue (DOR), but also may include information on preferences previously reviewed by JLARC.*

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# SOLAR ENERGY AND SILICON PRODUCT MANUFACTURERS (B&O TAX)

Current statute: RCW 82.04.294

In 2013, SB 5882 expanded this preference and extended its expiration date to June 30, 2017. The below report does not reflect these changes.

## JLARC 2012 Tax Preference Reviews (p. 167):

**Description:** Provides a business and occupation tax preferential rate of 0.275 to 1) manufacturers of certain solar energy systems; 2) manufacturers of solar grade silicon and other products used as components of solar energy systems; and 3) wholesalers of solar energy systems or component products they manufactured. The preference expires June 30, 2014.

**Purpose:** The Legislature stated that the public policy objective for this preference was to 1) retain and expand existing solar industry manufacturing businesses in Washington; 2) attract new solar energy manufacturers/wholesalers to the state; and 3) create jobs in Washington.

**Year Enacted:** 2005

**2012 Legislative Auditor Recommendation:** Review and clarify because it is unclear whether progress toward solar industry objectives is sufficient. The Legislature should consider identifying targets for solar business retention, attraction, and job creation.

**2012 Citizen Commission Comment:** Endorses without comment.

**Estimated Beneficiary Savings:** $3,050,000 in the 2011-13 Biennium.

# NONRESIDENT LARGE PRIVATE AIRPLANES (SALES AND USE TAX)

Current statutes: RCW 82.08.215; 82.12.215

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> [This Statute] provides sales and use tax exemptions for certain airplanes owned by nonresidents and for modifications made to such airplanes, including those that are in the state exclusively for long-term storage; provides that certain airplanes are exempt from having to register with the Washington State Department of Transportation (WSDOT) if they are in this state for at least 90 days exclusively for the purpose of undergoing modifications or for long-term storage; and extends the aircraft excise tax to commercial aircraft that are located in this state exclusively for long-term storage. This has the effect of exempting such aircraft from property tax.
>
> Assumptions:
>
> Based on information provided by industry sources, we believe this legislation will create an increased level of activity in Washington. One airplane will be modified or refurbished each fiscal year at a cost of $25 million. [This statute] is effective January 1, 2014, so Fiscal Year 2014 reflects five months of impacted cash collections.
>
> **Taxpayer Savings ($000):**

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|
| State tax | $627 | $1,500 | $1,500 | $1,500 |
| Local taxes | $266 | $638 | $638 | $638 |

# HONEY BEEKEEPERS FEED (SALES AND USE TAX)

Current statutes: RCW 82.08.200; 82.12.200

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> [This statute] provides a sales and use tax exemption for the sale of feed to eligible beekeepers that raise bee colonies to make bee honey products. To qualify for the exemption, the buyer must provide the seller with an exemption certificate, as required by the Department of Revenue (Department). This exemption expires on July 1, 2017.
>
> Currently, apiarists have B&O tax exemptions for the wholesale sale of honey bee products and for pollination services provided to farmers. Apiarists also have a sales and use tax exemption for the purchase or use of honey bees.
>
> Assumptions:
>
> There are approximately 300 apiarists and bee brokers that are registered with the Department of Agriculture. Under ideal conditions, honey bees should not have to be fed. Similar to most agricultural crops, apiarists have good years and bad years and during bad years it is necessary to feed honey bees. Newly established hives also require feed. For the sales and use tax exemption, it is assumed that half of the registered bee hives, approximately 37,800 hives would require apiarists to purchase bee feed to sustain the colonies. There are commercial bee feeds and some apiarists use a sugar/water syrup solution. For this estimate, it is assumed the average apiarist spends $25 on bee feed a year per deficient hive. It is estimated that apiarists spend an average of $945,000 per year to feed bee colonies. Many factors can affect the health of bee colonies and beekeeping is a small, specialized industry; therefore, there is no growth factored into this estimate.
>
> **Taxpayer Savings ($000):**

| | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|
| State tax | $61 | $61 | $61 |
| Local taxes - not considered. | $23 | $23 | $23 |

# Flavor-Imparting Items (Sales and Use Tax)

Current statutes: RCW 82.08.210; 82.12.210

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> A sales and use tax exemption is provided for certain products consumed by restaurants and that impart flavor to food during the cooking process. These products must: completely or substantially be consumed by combustion during the cooking process, such as wood chips, charcoal, charcoal briquettes, and grape vines, or support the food during the cooking process and are comprised entirely of wood, such as cedar grilling planks.
>
> Assumptions:
>
> The growth of fuel consumables as defined in this bill will grow at an annual rate of five percent. This part is effective October 1, 2013, so Fiscal Year 2014 reflects eight months of impacted cash collections.

**Taxpayer Savings ($000):**

| | FY 2014 | FY 2015 |
|---|---|---|
| State tax | $30 | $48 |
| Local taxes | $11 | $18 |

# HONEY BEEKEEPERS (SALES AND USE TAX)

Current statutes: RCW 82.08.0204; 82.12.0204

In 2013, SB 5882 extended this preference to expire on June 30, 2017. The below report does not reflect this change.

## Department of Revenue 2012 Tax Exemption Report (p. 160):

**Description:** Exemption from retail sales/use tax is provided for the purchase of honey bees by eligible apiarists. This exemption is schedule to expire on July 1, 2013.

**Purpose:** To provide tax relief to apiarists that purchase honey bees.

**Category/Year Enacted:** Agriculture. 2008

**Primary Beneficiaries:** Apiarists.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $4 | $4 | $0 | $0 |
| Local taxes | $1 | $1 | $0 | $0 |

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

Yes.

# Clay Targets (Sales and Use Tax)

Current statutes: RCW 82.08.205; 82.12.205

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> A sales and use tax exemption is provided for clay targets purchased by nonprofit gun clubs and used in fee-based clay target shooting.
>
> Assumptions:
>
> [This statute] is effective October 1, 2013, so Fiscal Year 2014 reflects eight months of impacted cash collections. Only nonprofits registered with the Secretary of State would be eligible. The revenue decrease for the performance audit account is less than $100 per year.

**Taxpayer Savings ($000):**

| | FY 2014 | FY 2015 |
|---|---|---|
| State tax | $10 | $16 |
| Local taxes | $4 | $6 |

# HONEY BEEKEEPER SERVICES (B&O TAX)

Current statute: RCW 82.04.630

In 2013, SB 5882 extended this preference to expire on June 30, 2017. The below report does not reflect this change.

## Department of Revenue 2012 Tax Exemption Report (p. 64):

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

**Purpose:** To provide tax relief to apiarists.

**Category/Year Enacted:** Agriculture. 2008

**Primary Beneficiaries:** Persons that provide pollination services.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $8 | $8 | $0 | $0 |
| Local taxes - not considered. | | | | |

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

Yes.

# HONEY BEEKEEPER PRODUCTS (B&O TAX)

Current statute: RCW 82.04.629

In 2013, SB 5882 extended this preference to expire on June 30, 2017. The below report does not reflect this change.

## Department of Revenue 2012 Tax Exemption Report (p. 63):

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

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

**Category/Year Enacted:** Agriculture. 2008

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $4 | $4 | $0 | $0 |
| Local taxes - not considered. | | | | |

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

Yes.

# RURAL ELECTRIC COOPERATIVE FINANCE ORGANIZATIONS (B&O TAX)

Current statute: RCW 82.04.43394

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> A B&O tax deduction is provided for cooperative finance organizations for amounts derived from loans to rural electric cooperatives or other nonprofit or governmental providers of utility services. "Cooperative finance organization" means a nonprofit organization with the primary purpose of providing, securing, or otherwise arranging financing for rural electric cooperatives.
>
> This deduction takes effect October 1, 2013, and expires July 1, 2017.
>
> Because [this statute] appears to only apply to one business, the revenue impact is confidential but not zero.

# MINIMUM TAXABLE THRESHOLD (ESTATE TAX)

Current statute: RCW 83.100.020(1)

## Department of Revenue 2012 Tax Exemption Report (p. 250):

**Description:** The estate tax enacted in 2005 allows an exclusion of the first $2 million of asset value from each taxable estate.

**Purpose:** To assure that estates of moderate values are not subject to the tax.

**Category/Year Enacted:** Individuals. 2005

**Primary Beneficiaries:** Estates with taxable values of less than $2 million.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $395,797 | $401,174 | $399,432 | $402,177 |
| Local taxes - no local tax. | | | | |

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

Yes.

# TRADE-INS (SALES TAX)

Current statute: RCW 82.08.010(1)(a)

## Department of Revenue 2012 Tax Exemption Report (p. 220):

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

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

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

**Primary Beneficiaries:** Vehicle and farm implement dealers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $103,649 | $104,686 | $105,733 | $106,790 |
| Local taxes | $38,535 | $38,921 | $39,310 | $39,703 |

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

Yes.

# MARITAL DEDUCTION (ESTATE TAX)

Current statute: RCW 83.100.047

## Department of Revenue 2012 Tax Exemption Report (p. 251):

**Description:** Surviving spouses of decedents are allowed to postpone paying the estate tax until the estate passes to other beneficiaries following their death.

**Purpose:** To avoid the surviving spouse having to pay estate tax on community property acquired during their marriage to the decedent.

**Category/Year Enacted:** Tax base. 2005

**Primary Beneficiaries:** Surviving spouses.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $123,315 | $128,693 | $131,226 | $130,207 |
| Local taxes - no local tax. | | | | |

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

Yes.

# NONPROFIT ORGANIZATION GOVERNMENT GRANTS (B&O TAX)

Current statute: RCW 82.04.4297

## Department of Revenue 2012 Tax Exemption Report (p. 90):

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

**Purpose:** To reduce the cost of providing such services.

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

**Primary Beneficiaries:** Nonprofit social service organizations and their clients.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $119,903 | $122,301 | $103,956 | $106,035 |
| Local taxes - not considered. | | | | |

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

Yes.

# CUSTOM SOFTWARE (SALES AND USE TAX)

Current statute: RCW 82.04.050(6)(a)(i)-(ii)

## Department of Revenue 2012 Tax Exemption Report (p. 219):

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

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

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

**Primary Beneficiaries:** Buyers of custom and customized canned software.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $39,265 | $45,727 | $51,576 | $53,442 |
| Local taxes | $18,163 | $21,152 | $22,550 | $23,366 |

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

Yes.

# DATA CENTER EQUIPMENT (SALES AND USE TAX)

Current statutes: RCW 82.08.986; 82.12.986

In 2012, SB 6635 amended this preference and extended its expiration date to April 1, 2020. The below report does not reflect this change.

## Department of Revenue 2012 Tax Exemption Report (p. 183):

**Description:** Exemption from retail sales/use tax is provided for qualified equipment and electrical power infrastructure for data centers. Included in the exemption are labor and services associated with installation of the equipment and power infrastructure. Various employment and facility size criteria are established in the statute. The facility must be located in a rural county as defined in RCW 82.14.370 (population density of less than 100 persons per square mile or county size of less than 225 square miles). The exemption is scheduled to expire on April 1, 2018.

**Purpose:** To promote job growth and the local economy in Washington.

**Category/Year Enacted:** Business incentive. 2010

**Primary Beneficiaries:** There are approximately 20 firms that might benefit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $8,358 | $8,358 | $8,358 | $16,717 |
| Local taxes | $3,108 | $3,108 | $3,108 | $6,215 |

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

Yes.

# BAD DEBTS (SALES AND USE TAX)

Current statutes: RCW 82.08.037; 82.12.037

## Department of Revenue 2012 Tax Exemption Report (p. 233):

**Description:** A credit or refund against current sales tax liability is allowed for retail sales taxes previously remitted to the state on debts that are deductible as worthless for federal income tax purposes. Only the original seller may claim a credit or refund; claims are not assignable to third parties.

**Purpose:** To limit a seller's tax liability to sales for which the seller actually receives payment.

**Category/Year Enacted:** Other business. 1982, modified in 2010.

**Primary Beneficiaries:** Firms that make sales on credit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $10,398 | $11,148 | $11,953 | $12,816 |
| Local taxes | $3,866 | $4,145 | $4,444 | $4,765 |

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

Yes.

# TIMBER AND WOOD PRODUCTS (B&O TAX)

Current statute: RCW 82.04.260(12)

## Department of Revenue 2012 Tax Exemption Report (p. 105):

**Description:** A preferential B&O tax rate of 0.2904 percent is provided for extracting or manufacturing of timber and selling timber and wood products at wholesale. Previously these activities were subject to a B&O tax rate of 0.484 percent. This tax rate expires on July 1, 2024.

**Purpose:** To encourage the timber industry.

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** Approx. 700 firms that extract timber or manufacture timber and wood products.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $12,098 | $13,260 | $13,791 | $14,342 |
| Local taxes - not considered. | | | | |

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

Yes.

# ROYALTY INCOME (B&O TAX)

Current statute: RCW 82.04.2907

## Department of Revenue 2012 Tax Exemption Report (p. 110):

**Description:** Royalty income is subject to B&O tax at a rate of 0.484 percent, rather than the service rate of 1.5 percent (temporarily increased to 1.8 percent). This applies to authors, musicians and other recording artists, franchise fees, and royalties for patents, licenses, software and similar items.

**Purpose:** To clarify the treatment of royalty income and to recognize the mobility of these funds.

**Category/Year Enacted:** Other business. 1998

**Primary Beneficiaries:** Approximately 2,100 recipients of royalty payments in Washington.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)*:**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $17,384 | $17,407 | $13,457 | $13,464 |
| Local taxes - not considered. | | | | |

*Based on service classification.

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

Possibly, but taxpayers would have greater incentive to receive royalties outside of this state.

# SYRUP TAXES PAID (B&O TAX)

Current statute: RCW 82.04.4486

## Department of Revenue 2012 Tax Exemption Report (p. 121):

**Description:** Chapter 82.64 RCW imposes a tax of $1.00 per gallon on syrup used to produce carbonated beverages (except syrup used to produce trademarked canned or bottled beverages). Receipts of that tax are deposited in the general fund (previously, the violence reduction and drug enforcement account). The B&O credit provides that the full amount of syrup tax paid starting in FY 2010 (following a phase in period) may be credited against B&O tax liability. Thus, the B&O tax credit has the effect of cancelling the syrup tax liability.

**Purpose:** To provide tax relief for firms that mix carbonated beverages.

**Category/Year Enacted:** Other business. 2006

**Primary Beneficiaries:** Businesses that prepare and sell carbonated beverages for consumption onpremises (i.e., not canned or bottled) and firms that manufacture non-trademarked beverages.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $8,122 | $8,281 | $8,443 | $8,608 |
| Local taxes - not considered. | | | | |

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

Yes.

# BOARDING HOMES (B&O TAX)

Current statute: RCW 82.04.2908

## Department of Revenue 2012 Tax Exemption Report (p. 111):

**Description:** A reduced tax rate is provided for adult boarding homes that are licensed under Chapter 18.20 RCW for income derived from provision of domiciliary care. Instead of the 1.5 percent service rate (temporarily increased to 1.8 percent), these homes are taxed at 0.275 percent.

**Purpose:** To make the taxation of such homes similar to the treatment of nursing homes.

**Category/Year Enacted:** Other business. 2004

**Primary Beneficiaries:** Adult boarding homes.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $7,874 | $7,874 | $6,454 | $6,325 |
| Local taxes - not considered. | | | | |

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

Yes.

# PUBLIC CORPORATIONS (PROPERTY TAX)

Current statute: RCW 35.21.755

## Department of Revenue 2012 Tax Exemption Report (p. 17):

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

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

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

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $674 | $716 | $724 | $732 |
| Local taxes | $3,030 | $3,233 | $3,331 | $3,509 |

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

Yes.

# CUSTOMER-GENERATED POWER (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.130

## Department of Revenue 2012 Tax Exemption Report (p. 138):

**Description:** A credit against public utility tax liability is provided for light and power businesses for amounts paid to customers as investment cost recovery incentives. These incentives are allowed pursuant to RCW 82.16.120 for investment in renewable energy systems. The credit may not exceed one-half of one percent of the firm's taxable power sales or $100,000 whichever is greater. Incentive payments to participants in a company-owned solar project may only account for up to 5 percent of the total credit. The tax credit will expire on June 30, 2020.

**Purpose:** To encourage investment in renewable energy resources.

**Category/Year Enacted:** Business incentive. 2005

**Primary Beneficiaries:** Light and power companies that make payments to customers via this program.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $1,049 | $1,364 | $1,773 | $2,305 |
| Local taxes - not considered. | | | | |

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

Yes.

# DONATIONS TO NONPROFITS AND GOVERNMENT (USE TAX)

Current statute: RCW 82.12.02595

## Department of Revenue 2012 Tax Exemption Report (p. 201):

**Description:** Use tax exemption is allowed for nonprofit charitable organizations and state/local governments for donated tangible personal property. If the reason for the donation was to allow the organization to provide the property to others, the use of the property by the recipient is exempt. Donors who provide the property without intervening use are also exempt under this statute.

**Purpose:** To allow charitable donations to take place without incurring use tax liability.

**Category/Year Enacted:** Nonprofit - other. 1995; extended to donors in 1998.

**Primary Beneficiaries:** Nonprofit groups and governmental entities that receive donated items.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $1,184 | $1,270 | $1,311 | $1,353 |
| Local taxes | $440 | $472 | $487 | $503 |

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

Yes.

# SELF-SERVICE LAUNDRY FACILITIES (SALES AND USE TAX)

Current statute: RCW 82.04.050(2)(a)

## Department of Revenue 2012 Tax Exemption Report (p. 218):

**Description:** Charges for the use of self-service laundry facilities are excluded from the definition of retail sale. As a result, firms that provide laundry machines on an individual use basis (e.g., in laundromats) do not collect sales tax but are subject to B&O tax under the service classification.

**Purpose:** To equalize the tax treatment with coin-operated apartment laundry facilities.

**Category/Year Enacted:** Individuals. 1998; major expansion to all self-service facilities in 2005.

**Primary Beneficiaries:** Firms that operate coin-operated laundry machines and the customers who use laundry facilities in laundromats and apartment buildings.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $1,050 | $1,061 | $1,133 | $1,145 |
| Local taxes | $491 | $496 | $501 | $506 |

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

Yes.

# BOARDING HOME MEDICARE INCOME (B&O TAX)

Current statute: RCW 82.04.4337

## Department of Revenue 2012 Tax Exemption Report (p. 94):

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

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

**Category/Year Enacted:** Other business. 2004

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $1,574 | $1,574 | $1,334 | $1,312 |
| Local taxes - not considered. | | | | |

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

Yes.

# ELECTRIC POWER SOLD IN RURAL AREAS (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.053

## Department of Revenue 2012 Tax Exemption Report (p. 137):

**Description**: A deduction from gross operating income subject to public utility tax is allowed for light and power businesses whose customers are geographically dispersed. The amount of the deduction is based on the number of customers per mile of distribution line or the relationship between the firm's average electric power rate in comparison with the state average rate. The maximum deduction for a firm is equal to $400,000 per month.

**Purpose:** To reduce the cost of providing electricity to areas with geographically dispersed customers.

**Category/Year Enacted:** Other business. 1994; deductible amounts increased in 1996.

**Primary Beneficiaries:** Public utility districts, power and light cooperatives and rural electric associations and their customers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $1,300 | $1,300 | $1,300 | $1,300 |
| Local taxes - not considered. | | | | |

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

Yes.

# TRIBAL LANDS USED FOR GOVERNMENT PURPOSES (PROPERTY TAX)

Current statute: RCW 84.36.010(1)

In 2014, HB 1287 amended this preference. The below report does not reflect these changes.

## Department of Revenue 2008 Tax Exemption Report (p. 4):

**Description:** Property belonging to any federally recognized Indian tribe is exempt from property tax, if the property is used exclusively for essential government services as defined in RCW 43.06.455.

**Purpose:** This statute is directed toward tribal owned property which is located off of the tribe's reservation. The purpose is to treat all tribes alike and to treat all property used for government services in the same manner. The governmental facilities of most tribes are sited on tribal lands which are exempt from property tax, just as the land owned by local governments is exempt. However, at least one tribe has little land held in trust and must therefore purchase non-tribal land for governmental facilities.

**Category/Year Enacted:** Government. 2004

**Primary Beneficiaries:** Indian tribes whose governmental services utilize facilities on non-tribal land.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000)*:**

| | CY 2008 | CY 2009 | CY 2010 | CY 2011 |
|---|---|---|---|---|
| State levy | $263 | $272 | $283 | $293 |
| Local levies | $863 | $895 | $928 | $962 |

*Note: this impact addresses only the tribal land that is located off of the reservation.

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

No.

# PROFESSIONAL EMPLOYER ORGANIZATION WAGES (B&O TAX)

Current statute: RCW [82.04.540]

## Department of Revenue 2012 Tax Exemption Report (p. 96):

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

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

**Category/Year Enacted:** Tax Base. 2006

**Primary Beneficiaries:** Approximately 33 professional employer organizations.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $1,636 | $1,832 | $958 | $1,126 |
| Local taxes - not considered. | | | | |

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

Possibly, however, to the extent that such a PEO could demonstrate that the wages/benefits are advances/reimbursements under the Department's Excise Tax Rule 111, they would be able to exclude such amounts from tax.

# RTA MAINTENANCE CONTRACTS (SALES AND USE TAX)

Current statute: RCW 82.04.050(13)

## Department of Revenue 2012 Tax Exemption Report (p. 193):

**Description**: Any tangible personal property, including installation labor and services, provided to a regional transportation authority (R.T.A.) pursuant to a maintenance contract is exempt from retail sales/use tax. This applies to items installed in bus or rail transportation equipment.

**Purpose:** To facilitate regional transportation and clarify the application of sales tax to the R.T.A.

**Category/Year Enacted:** Government. 2005

**Primary Beneficiaries:** Sound Transit.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $597 | $647 | $702 | $760 |
| Local taxes | $249 | $270 | $293 | $317 |

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

Yes.

# SELLERS WITH LIMITED WASHINGTON CONNECTION (B&O TAX)

Current statute: RCW 82.04.424

## Department of Revenue 2012 Tax Exemption Report (p. 57):

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

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

**Category/Year Enacted:** Other business. 2003

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $778 | $855 | $915 | $979 |
| Local taxes - not considered. | | | | |

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

Yes, but the activity could be easily moved out of state.

# NEIGHBORHOOD REVITALIZATION (MULTIPLE TAXES)

Current statute: RCW 82.73.030

## Department of Revenue 2012 Tax Exemption Report (p. 123):

**Description:** The Main Street program tax incentive in Chapter 82.73 RCW allows contributions to eligible nonprofit organizations to be credited against B&O or public utility tax liability.

**Purpose:** To encourage contributions to eligible nonprofit organizations devoted to revitalization of downtown or neighborhood commercial areas.

**Category/Year Enacted:** Other. 2005

**Primary Beneficiaries:** Approximately 140 firms participate in the program each year.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $720 | $749 | $779 | $810 |
| Local taxes - not considered. | | | | |

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

Yes.

# FUND-RAISING SALES OF MAGAZINES (SALES TAX)

Current statute: RCW 82.08.02535

## Department of Revenue 2012 Tax Exemption Report (p. 222):

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

**Purpose:** To support these organizations.

**Category/Year Enacted:** Nonprofit - other. 1995

**Primary Beneficiaries:** Schools and nonprofit youth organizations.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $460 | $473 | $488 | $503 |
| Local taxes | $171 | $176 | $181 | $186 |

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

Yes.

# FOOD AND BEVERAGES CONSUMED ON-SITE (LITTER TAX)

Current statute: RCW 82.19.050(4)

## Department of Revenue 2012 Tax Exemption Report (p. 147):

**Description:** Sales of food and drink are exempt from litter tax for restaurants and other eating and drinking establishments. To qualify for the exemption, the food and beverages must be consumed on the premises of the seller or at an adjacent, indoor eating area (e.g., food court at a mall).

**Purpose:** To recognize that food and drinks consumed on the premises of the seller generally do not contribute to the litter problem.

**Category/Year Enacted:** Tax base. 2003

**Primary Beneficiaries:** Approximately 10,800 restaurants and other eating/drinking establishments.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $648 | $654 | $661 | $667 |
| Local taxes - none. | | | | |

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

Yes.

# CAMPS FOR DISABLED PERSONS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(13)

## Department of Revenue 2012 Tax Exemption Report (p. 24):

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

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

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

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $257 | $273 | $291 | $310 |
| Local taxes | $225 | $240 | $256 | $272 |

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

Yes.

# COMPUTERS FOR PUBLISHERS (SALES AND USE TAX)

Current statutes: RCW 82.08.806; 82.12.806

## Department of Revenue 2012 Tax Exemption Report (p. 178):

**Description:** Purchases of computer equipment and software, including installation and related services, which is used primarily in the printing and publishing of any type of printed material are exempt from retail sales/use tax. Digital cameras are also included in the scope of the exemption. The exemption does not extend to computers and software used principally for administrative purposes.

**Purpose:** To provide tax incentives for the printing and publishing industry.

**Category/Year Enacted:** Business incentive. 2004

**Primary Beneficiaries:** Approximately 26 daily newspapers, a few weeklies, and various other publishers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $410 | $380 | $356 | $337 |
| Local taxes | $152 | $141 | $132 | $125 |

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

Yes.

# LEGAL SERVICES TO LOW-INCOME PERSONS (B&O TAX)

Current statute: RCW 82.04.635

## Department of Revenue 2012 Tax Exemption Report (p. 76):

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

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

**Category/Year Enacted:** Nonprofit - other. 2009

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $476 | $521 | $452 | $470 |
| Local taxes - not considered. | | | | |

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

Yes.

# STANDING TIMBER (REAL ESTATE EXCISE TAX)

Current statute: RCW 82.45.195

## Department of Revenue 2012 Tax Exemption Report (p. 249):

**Description:** Sales of timber pursuant to a severance contract are exempt from real estate excise tax if the timber is harvested within 30 months without regard to when title passes or how payment is made. However, such income is subject to state B&O tax at a rate of 0.2904 percent.

**Purpose:** To provide tax relief to the wood products industry.

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

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $234 | $266 | $282 | $291 |
| Local taxes | $132 | $150 | $159 | $164 |

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

Possibly, but in some of these situations a price equivalent to market value might have to be established.

# FEDERAL SMALL BUSINESS INNOVATION GRANTS (B&O TAX)

Current statute: RCW 82.04.4261

## Department of Revenue 2012 Tax Exemption Report (p. 59):

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

**Purpose:** To encourage technological research by small businesses.

**Category/Year Enacted:** Other business. 2004

**Primary Beneficiaries:** Approximately 38 grantees annually.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $391 | $408 | $413 | $419 |
| Local taxes - not considered. | | | | |

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

Yes; however, this activity would likely also be covered by the high technology B&O tax credit.

# SALMON HABITAT RESTORATION GRANTS (B&O TAX)

Current statute: RCW 82.04.4339

## Department of Revenue 2012 Tax Exemption Report (p. 95):

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

**Purpose:** To encourage restoration of salmon habitat.

**Category/Year Enacted:** Other business. 2004

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $388 | $388 | $329 | $324 |
| Local taxes - not considered. | | | | |

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

Yes.

# DIRECT MAIL DELIVERY (SALES AND USE TAX)

Current statutes: RCW 82.08.807; 82.12.807

## Department of Revenue 2012 Tax Exemption Report (p. 230):

**Description:** Retail sales/use tax does not apply to delivery charges made for direct mail, if the charges are separately stated on the billing given to the purchaser. Direct mail refers to printed material delivered without charge to a mass audience or a mailing list provided by the purchaser.

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

**Category/Year Enacted:** Other business. 2005

**Primary Beneficiaries:** Direct mail service providers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $211 | $218 | $226 | $234 |
| Local taxes | $78 | $81 | $84 | $87 |

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

Yes.

# FUEL USED BY MINT GROWERS (SALES AND USE TAX)

Current statutes: RCW 82.08.220; 82.12.220

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> [This statute] provides a sales and use tax exemption for propane or natural gas used to distill mint oil on a farm.
>
> This exemption takes effect October 1, 2013, and expire[s] July 1, 2016.
>
> Assumptions:
>
> The majority of mint farms counted in the Agricultural Census are small operations. Fifty percent of mint harvested is initially distilled with propane or natural gas. Propane is sold at an average price of $2.75 per gallon. The mint industry tends to fluctuate from year to year, so it is assumed there is no annual growth. This part is effective October 1, 2013, so Fiscal Year 2014 reflects eight months of impacted cash collections.
>
> **Taxpayer Savings ($000):**

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|---|
| State tax | $106 | $160 | $160 | $160 |
| Local taxes | $40 | $60 | $60 | $60 |

# PARKING AND BUSINESS IMPROVEMENT AREAS (B&O TAX)

Current statute: RCW 82.04.4267

## Department of Revenue 2012 Tax Exemption Report (p. 60):

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

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

**Category/Year Enacted:** Other business. 2005

**Primary Beneficiaries:** Local governments with business improvements areas.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $113 | $118 | $102 | $107 |
| Local taxes - not considered. | | | | |

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

Yes.

# HOUSING FOR YOUTH IN CRISIS (SALES AND USE TAX)

Current statutes: RCW 82.08.02915; 82.12.02915

## Department of Revenue 2012 Tax Exemption Report (p. 199):

**Description:** Exemption from retail sales/use tax is allowed for nonprofit health or social welfare organizations for the cost of materials used in the construction of alternative housing facilities for youth who are "in crisis." The facility must be licensed under Chapter 74.15 RCW. The exemption does not extend to charges for labor or services associated with construction of these facilities.

**Purpose:** To encourage construction of shelters for youth who have left home.

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

**Primary Beneficiaries:** Nonprofit organizations that build youth shelters.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $52 | $55 | $57 | $60 |
| Local taxes | $19 | $20 | $21 | $22 |

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

Yes.

# NONPROFIT BOARDING HOMES (B&O TAX)

Current statute: RCW 82.04.4264

## Department of Revenue 2012 Tax Exemption Report (p. 74):

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

**Purpose:** To reduce the tax liability of such homes.

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

**Primary Beneficiaries:** Nonprofit adult boarding homes.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $70 | $70 | $70 | $70 |
| Local taxes - not considered. | | | | |

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

Yes.

# CHILD CARE RESOURCE AND REFERRAL (B&O TAX)

Current statute: RCW 82.04.3395

## Department of Revenue 2012 Tax Exemption Report (p. 69):

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

**Purpose:** To reduce the cost of providing such services.

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

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $54 | $56 | $58 | $60 |
| Local taxes - not considered. | | | | |

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

Yes.

# AMPHITHEATER (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(18)

## Department of Revenue 2012 Tax Exemption Report (p. 26):

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

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

**Category/Year Enacted:** Business incentive. 2005, amended in 2008.

**Primary Beneficiaries:** Lessees of the amphitheater.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $24 | $27 | $27 | $27 |
| Local taxes | $21 | $24 | $24 | $24 |

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

Yes.

# HISTORIC PROPERTY (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(17)

## Department of Revenue 2012 Tax Exemption Report (p. 26):

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

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

**Category/Year Enacted:** Government. 2005; expanded in 2007.

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $33 | $23 | $23 | $24 |
| Local taxes | $29 | $20 | $20 | $21 |

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

Yes.

# Federal Small Business Technology Transfer Grants (B&O Tax)

Current statute: RCW 82.04.4262

## Department of Revenue 2012 Tax Exemption Report (p. 59):

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

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

**Category/Year Enacted:** Other business.  2004

**Primary Beneficiaries:** About seven grantees per year.

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

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $39 | $39 | $40 | $40 |
| Local taxes - not considered. | | | | |

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

Yes.

# TREATING CHEMICAL DEPENDENCY (B&O TAX)

Current statute: RCW 82.04.2906

## Department of Revenue 2012 Tax Exemption Report (p. 110):

**Description:** Taxpayers who provide intensive in-patient or residential recovery treatment services for chemical dependency are subject to B&O tax at a rate of 0.484 percent, rather than the general medical services rate of 1.5 percent (temporarily increased to 1.8 percent). The lower tax rate applies only to receipts from governmental sources. To qualify, the firm must be certified by the Department of Social and Health Services.

**Purpose:** To support the firms that provide such services.

**Category/Year Enacted:** Other business. 2003

**Primary Beneficiaries:** Firms that provide treatment for chemical dependency.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $45 | $45 | $35 | $35 |
| Local taxes - not considered. | | | | |

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

Yes.

# DIRECT MAIL DELIVERY (B&O TAX)

Current statute: RCW 82.04.4272

## Department of Revenue 2012 Tax Exemption Report (p. 80):

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

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

**Category/Year Enacted:** Other business. 2005

**Primary Beneficiaries:** Direct mail service providers.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $16 | $16 | $17 | $18 |
| Local taxes - not considered. | | | | |

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

Yes.

# VETERAN WIDOWS AND WIDOWERS (PROPERTY TAX)

Current statute: RCW 84.39.010

## Department of Revenue 2012 Tax Exemption Report (p. 14):

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

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

**Category/Year Enacted:** Individuals. 2005

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | CY 2012 | CY 2013 | CY 2014 | CY 2015 |
|---|---|---|---|---|
| State levy | $16 | $16 | $16 | $16 |
| Local levies | $0 | $0 | $0 | $0 |

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

Yes.

# NONPROFIT FUNDRAISING FOR INDIVIDUAL ARTISTS (PROPERTY TAX)

Current statute: RCW 84.36.650

## Department of Revenue 2008 Tax Exemption Report (p. 28):

**Description:** Property tax exemption is allowed for real and personal property owned by a nonprofit organization that is devoted to raising funds to support individual artists. The organization must be nonsectarian, exempt from federal income tax, and have a board of directors of at least eight members. The funds generated by the organization must be used for grants, fellowships, information services or educational resources in support of individual artists.

**Purpose:** To assist any organization that supports individual artists.

**Category/Year Enacted:** Nonprofit - arts or cultural. 2003

**Primary Beneficiaries:** One entity presently qualifies.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | CY 2008 | CY 2009 | CY 2010 | CY 2011 |
|---|---|---|---|---|
| State levy | $1 | $1 | $1 | $1 |
| Local levies | $4 | $5 | $5 | $5 |

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

# CATERING (LITTER TAX)

Current statute: RCW 82.19.050(5)

## Department of Revenue 2012 Tax Exemption Report (p. 148):

**Description:** Exemption from litter tax is allowed for catered food and beverages provided in non-single use containers, served for immediate consumption at premises which are controlled by the customer.

**Purpose:** To relieve caterers from the litter tax.

**Category/Year Enacted:** Other business. 2005

**Primary Beneficiaries:** Approximately 180 food service and catering businesses.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):**

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|
| State tax | $2 | $2 | $2 | $2 |
| Local taxes - none. | | | | |

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

Yes.

# LIQUEFIED GASSES (PETROLEUM PRODUCTS TAX)

Current statute: RCW 82.23A.010(1)

## Department of Revenue 2012 Tax Exemption Report (p. 151):

**Description:** Originally, the tax applied to liquefied or liquefiable gasses such as propane and butane, but these were removed from the definition of taxable products in 2004.

**Purpose:** Presumably fuel in a gaseous state does not impose as much risk to the environment.

**Category/Year Enacted:** Other business. 2004

**Primary Beneficiaries:** Manufacturers of fuel gas.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** The petroleum products tax was last imposed during fiscal year 2010. It is not expected to be reactivated during the forecast period and therefore the exemptions are not currently applicable.

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

No.

# NATURAL GAS NOT DELIVERED VIA PIPELINE (USE TAX)

Current statute: RCW 82.12.022(3)

## Department of Revenue 2012 Tax Exemption Report (p. 240):

**Description:** Brokered natural gas [use tax] does not apply to the use of natural or manufactured gas that is delivered to customers by other means than through a pipeline.

**Purpose:** This statute was enacted to clarify the application of this tax.

**Category/Year Enacted:** Tax base. 1994

**Primary Beneficiaries:** Customers that receive natural gas via other means.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** Gas delivered by other means is subject to other excise taxes.

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

Yes.

# SELLERS WITH LIMITED WASHINGTON CONNECTION (SALES AND USE TAX)

Current statutes: RCW 82.08.050(11); 82.12.040(5)

## Department of Revenue 2012 Tax Exemption Report (p. 188):

**Description:** Exemption from the requirement to collect retail sales tax is provided to sellers whose only activities in this state are conducted electronically and consist of the storage, dissemination, or display of advertising, the taking of orders, or the processing of payments. The activities must be conducted via a website on a computer server or other computer equipment located in this state that is not owned by the seller or an affiliate of the seller. This exemption expires if the U.S. Congress or Supreme Court authorizes states to impose sales and use tax collection duties on remote sellers.

**Purpose:** At the time this exemption was enacted, such sales were not taxable due to the federal Internet Tax Freedom Act (ITFA) which has been re-enacted and is currently in effect. This exemption was enacted in case that the ITFA is not re-enacted.

**Category/Year Enacted:** Other business. 2003

**Primary Beneficiaries:** Firms whose activities include storage, dissemination, advertising, taking orders or processing payments and are conducted electronically via a website on a server or other computer equipment located in this state which is not owned by the seller or an affiliate of the seller.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** Minimal, if the ITFA is not re-enacted. None, if it is.

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

Possibly, if the current federal moratorium (commonly known as the Internet Freedom Act) prohibiting state and local governments from imposing multiple or discriminatory taxes on electronic commerce is allowed to expire. This moratorium is currently scheduled to expire on November 1, 2014.

# SEMICONDUCTOR MATERIALS MANUFACTURING AFTER $1 BILLION INVESTMENT - CONSTRUCTION COSTS (SALES AND USE TAX)

Current statutes: RCW 82.08.965; 82.12.965

## Department of Revenue 2012 Tax Exemption Report (p. 180):

**Description:** Exemption from retail sales/use tax is provided for new construction by manufacturers of semiconductor materials. The exemption covers all construction costs, including materials, labor and installation of fixtures. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective, it is scheduled to last for a period of 12 years from the effective date.

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

**Category/Year Enacted:** Business incentive. 2003

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** There is no revenue impact, as the investment criterion has yet to be achieved.

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

Yes, assuming the exemption becomes effective.

# SEMICONDUCTOR MATERIALS MANUFACTURING AFTER $1 BILLION INVESTMENT - GASES AND CHEMICALS (SALES AND USE TAX)

Current statutes: RCW 82.08.970; 82.12.970

## Department of Revenue 2012 Tax Exemption Report (p. 181):

**Description:** Exemption from retail sales/use tax is provided for gasses and chemicals used by manufacturers of semiconductor materials. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the exemption does become effective, it is scheduled to last for a period of 12 years from the effective date.

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

**Category/Year Enacted:** Business incentive. 2003

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** There is no revenue impact, as the investment criterion has yet to be achieved.

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

Yes, assuming the exemption becomes effective.

# SEMICONDUCTOR MATERIALS MANUFACTURING AFTER $1 BILLION INVESTMENT - MACHINERY AND EQUIPMENT (PROPERTY TAX)

Current statute: RCW 84.36.645

## Department of Revenue 2008 Tax Exemption Report (p. 47):

**Description:** All manufacturing machinery and equipment used by the cluster of firms in the semiconductor industry is exempt from property tax if two conditions are met: (1) the equipment must be exempt from retail sales/use tax as manufacturing machinery; and (2) a new semiconductor fabrication facility begins commercial operation in the state. Such a facility must have invested at least $1 billion in buildings and equipment in Washington. If both conditions are met, the property tax exemption will apply for the first 12 years following completion of the $1 billion fabrication facility. However, these criteria have not yet been met, and it is believed that the investment will not occur during the forecast period of this study.

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

**Category/Year Enacted:** Business incentive. 2003

**Primary Beneficiaries:** None, because the contingency criteria have not been met.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** None to date.

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

No - other taxpayers would experience reduced taxes for the state levy and most local levies.

# SEMICONDUCTOR MATERIALS MANUFACTURING AFTER $1 BILLION INVESTMENT - NEW JOBS CREDIT (B&O TAX)

Current statute: RCW 82.04.448

## Department of Revenue 2012 Tax Exemption Report (p. 119):

**Description:** A credit against B&O tax liability is allowed for manufacturers of semiconductor materials. The credit equals $3,000 for each new job located in a new structure of a firm that produces materials for manufacturing semiconductors. Credit is allowed for up to eight consecutive years. The credit will be contingent upon commencement of commercial operations at a new semiconductor microchip fabrication plant with an investment in new buildings and equipment of at least $1 billion. This criterion has yet to be met, and it is believed that the investment will not occur during the forecast period of this study. If the credit does become effective, it is scheduled to expire 12 years after the effective date.

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

**Category/Year Enacted:** Business incentive. 2003

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** None to date.

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

Yes.

# SEMICONDUCTOR MATERIALS MANUFACTURING AFTER $1 BILLION INVESTMENT - PREFERENTIAL RATE (B&O TAX)

Current statute: RCW 82.04.240(2)

## Department of Revenue 2012 Tax Exemption Report (p. 97):

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

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

**Category/Year Enacted:** Business incentive. 2003

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** None to date.

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

Yes.

# SEMICONDUCTOR MICROCHIP MANUFACTURING AFTER $1 BILLION INVESTMENT (B&O TAX)

Current statute: RCW 82.04.426

## Department of Revenue 2012 Tax Exemption Report (p. 58):

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

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

**Category/Year Enacted:** Business incentive. 2003

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

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** None to date.

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

Yes.

# GROCERY DISTRIBUTION CO-OPS (B&O TAX)

Current statute: RCW 82.04.298(2)

## Department of Revenue 2012 Tax Exemption Report (p. 78):

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

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

**Category/Year Enacted:** Business incentive. 2001

**Primary Beneficiaries:** Two cooperatives.

**Possible Program Inconsistency:** None evident.

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

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

# JOB TRAINING SERVICES (B&O TAX)

Current statute: RCW 82.04.4333

## Department of Revenue 2012 Tax Exemption Report (p. 113):

**Description:** Twenty percent of the amount spent on job training by firms that are eligible for the rural county sales tax deferral/exemption program may be taken as a credit against B&O tax. The training must be designed to enhance job performance in a state-approved program which is sponsored or provided by the employer. The amount of credit for a particular firm is limited to $5,000 annually.

**Purpose:** To encourage firms in rural counties to employ local residents who may need training.

**Category/Year Enacted:** Business incentive. 1996

**Primary Beneficiaries:** Manufacturing and R&D firms in rural counties; since the inception of the program six firms have take the credit.

**Possible Program Inconsistency:** None evident.

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

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

Yes.

# SEMICONDUCTOR MATERIALS MANUFACTURING - GASES AND CHEMICALS (SALES AND USE TAX)

Current statutes: RCW 82.08.9651; 82.12.9651

## Department of Revenue 2012 Tax Exemption Report (p. 181):

**Description:** Exemption from retail sales/use tax is provided for gasses and chemicals used by manufacturers of semiconductor materials. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $350 million. This criterion has been met, and the exemption was effective on December 1, 2006. It is scheduled to last for a period of 12 years.

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

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** Three firms that manufacture semiconductor materials.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** Because the exemption is believed to be utilized by fewer than three firms, the taxpayer savings cannot be disclosed publicly.

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

Yes.

# SEMICONDUCTOR MATERIALS MANUFACTURING - PREFERENTIAL RATE (B&O TAX)

Current statute: RCW 82.04.2404

## Department of Revenue 2012 Tax Exemption Report (p. 97):

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

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

**Category/Year Enacted:** Business incentive. 2006

**Primary Beneficiaries:** Two firms that manufacture semiconductor materials.

**Possible Program Inconsistency:** None evident.

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

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

Yes.

# TOBACCO SETTLEMENT AUTHORITY (B&O TAX)

Current statute: RCW 82.04.311

## Department of Revenue 2012 Tax Exemption Report (p. 36):

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

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

**Category/Year Enacted:** Government. 2002

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

**Possible Program Inconsistency:** None evident.

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

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

Possibly.

# FUEL PREVIOUSLY TAXED (AIRCRAFT FUEL TAX)

Current statute: RCW 82.42.020

This preference is not included in the 2012 DOR Tax Exemption Report. It was included in the original enactment of the Aircraft Fuel Tax. The preference ensures each gallon of fuel is subject to aircraft fuel tax only once.

RCW 82.42.020 provides:

> There is hereby levied, and there shall be collected by every distributor of aircraft fuel, an excise tax at the rate of eleven cents on each gallon of aircraft fuel sold, delivered, or used in this state: PROVIDED HOWEVER, That such aircraft fuel excise tax shall not apply to fuel for aircraft that both operate from a private, non-state-funded airfield during at least ninety-five percent of the aircraft's normal use and are used principally for the application of pesticides, herbicides, or other agricultural chemicals and shall not apply to fuel for emergency medical air transport entities: PROVIDED FURTHER, That there shall be collected from every consumer or user of aircraft fuel either the use tax imposed by RCW 82.12.020, as amended, or the retail sales tax imposed by RCW 82.08.020, as amended, collection procedure to be as prescribed by law and/or rule or regulation of the department of revenue. **The taxes imposed by this chapter shall be collected and paid to the state but once in respect to any aircraft fuel.**

# FUEL PREVIOUSLY TAXED (FUEL TAX)

Current statutes: RCW 82.38.030(7)(d); 82.38.032

This preference is not included in the 2012 DOR Tax Exemption Report.

The 2010 Tax Reference Manual from the Department of Revenue states:

> In 1998 the statute was largely rewritten to shift the burden of reporting gas tax from distributors to the owner of the fuel at the time it was initially delivered from a refinery or terminal facility in the state. This new tax “at the rack” is intended to reduce evasion of motor vehicle fuel tax and reduce compliance costs by greatly reducing the number of taxpayers that are liable for reporting the tax.

Prior to 1998, fuel was taxed at the point of distribution to consumers. This tax preference maintains the practice of taxing each gallon of fuel only once.

RCW 82.38.030(7)(d) provides:

> [Taxes are imposed when] special fuel is sold or removed in this state to an unlicensed entity **unless there was a prior taxable removal, entry, or sale of the special fuel**[.]

RCW 82.38.032 provides:

> International fuel tax agreement licensee, or persons operating motor vehicles under reciprocity agreements entered into with the state of Washington, are liable for and must pay the tax under RCW 82.38.030 to the department on special fuel used to operate motor vehicles on the highways of this state. **This provision does not apply if the tax under RCW 82.38.030 has previously been imposed and paid by the international fuel tax agreement licensee** or if the use of such fuel is exempt under this chapter.

# HAZARDOUS OR TOXIC WASTE (SOLID WASTE COLLECTION TAX)

Current statute: RCW 82.18.010(3)

This preference is not included in the 2012 DOR Tax Exemption Report. It was included in the original enactment of the solid waste collection tax.

RCW 82.18.010(3) provides:

> "Solid Waste" means garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. **The term does not include hazardous or toxic waste** nor does it include material collected primarily for recycling or salvage.

# NONPROFIT FUNDRAISING (USE TAX)

Current statute: RCW 82.12.225

This preference is not included in the 2012 DOR Tax Exemption Report. The following information is provided in the fiscal note for 2013 SB 5882:

> [This statute] provides a use tax exemption for items valued at less than $10,000 and bought or received as a prize in a contest of chance from a nonprofit organization or library, if the gross income from the sale is exempt from B&O tax under RCW 82.04.3651.
>
> This exemption takes effect October 1, 2013, and expires July 1, 2017.
>
> Assumptions:
>
> Two percent of all items bought or won from nonprofit organizations are currently subject to use tax. Ten percent of the items that are bought or won as a prize in a contest of chance from a nonprofit organization or library will be valued over $10,000. This part is effective October 1, 2013, so Fiscal Year 2014 reflects eight months of impacted cash collections.
>
> **Taxpayer Savings ($000):**

| | FY 2014 | FY 2015 | FY 2016 | FY2017 |
|---|---|---|---|---|
| State tax | $6 | $10 | $10 | $10 |
| Local taxes | < $1 | < $1 | < $1 | < $1 |

# NONPROFIT R&D (B&O)

Current statute: RCW 82.04.260(3)

## Department of Revenue 2012 Tax Exemption Report (p. 102):

**Description:** A preferential B&O tax rate of 0.484 percent is provided for nonprofit research and development activities of nonprofit corporations and associations. In the absence of this statute, the service classification would otherwise apply.

**Purpose:** To support nonprofit R&D activities.

**Category/Year Enacted:** Business incentive. 1965

**Primary Beneficiaries:** Currently one firm.

**Possible Program Inconsistency:** None evident.

**Taxpayer Savings ($000):** Because only one firm utilizes this tax rate, the impact cannot be publicly stated.

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

Yes.

# RECYCLING OR SALVAGE MATERIALS (SOLID WASTE COLLECTION TAX)

Current statute: RCW 82.18.010(3)

This preference is not included in the 2012 DOR Tax Exemption Report. It was included in the original enactment of the solid waste collection tax.

RCW 82.18.010(3) provides:

> "Solid Waste" means garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. The term does not include hazardous or toxic waste **nor does it include material collected primarily for recycling or salvage**.