Chapter 2
Business and Occupation Tax

48.32.130 - Insurance guarantee association

Description

The Washington Insurance Guarantee Association (Association) is exempt from all fees and taxes levied by the state or its political subdivisions, except taxes levied on real or personal property.

The Association protects policyholders from insolvent insurers. Insurance companies pay an assessment to the Association to provide funding for payments to any policyholders whose insurance company is unable to provide compensation under the terms of their policies.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1971
Primary Beneficiaries:	Washington Insurance Guaranty Association
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

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

Description

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

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

This exemption expires January 1, 2030.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.031	$0.031	$0.033	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.029	$0.033	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer purchases of vehicles growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This activity would be taxed at 1.5% if this exemption was repealed.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast for light vehicles

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Tow truck operators
Taxpayer Count:	1,750
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.040(1)(c) - Senior living community meals

Description

Whether the tenant is a resident of an assisted living facility or a continuing care retirement community, food, drink, or meals provided by a senior living community to tenants as part of a rental or residency agreement for which the community makes no separate charge are exempt from the definition of a retail sale. Businesses are subject to service and other activities B&O tax instead of retailing B&O tax.

Purpose

To reduce the cost of meals for tenants at senior living communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.192	$1.463	$1.523	$1.583
Local Taxes	$0.660	$0.820	$0.850	$0.880

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.353	$1.523	$1.583
Local Taxes	$0.000	$0.750	$0.850	$0.880

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Currently, one-third of senior living communities bundle charges for rent and meals to residents such that sales tax applies to the sale of meals. As a result, this repeal impacts one-third of senior living communities' charges for meals.

Data Sources

- Department of Revenue, audit data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Social and Health Services, Assisted living and continuing care data
- Food Service Director, "2014 LTC/Senior Living Census: Ancillary foodservice locations gain in popularity"

82.04.040(1)(c) - Senior living community meals

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2023
Primary Beneficiaries:	Senior living community tenants
Taxpayer Count:	40,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.062 - Precious metals and monetized bullion

Description

Sales of precious metals and monetized bullion are exempt from B&O tax. However, bullion dealers are subject to B&O tax under the service classification on commissions they receive for buying and selling these bullions on behalf of their customers. The sales tax portion of this report discusses the sales tax portion of the exemption.

Purpose

To provide tax relief to bullion dealers who compete with dealers in other states who are often not subject to Washington taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.418	$1.474	$1.531	$1.589
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.351	$1.531	$1.589
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activities growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchasers of precious metal and monetized bullion
Taxpayer Count:	71
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2024

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

Description

A person who produces aluminum master alloys is a processor for hire rather than a manufacturer, regardless of the portion of aluminum provided by the person's customer. Producers of aluminum master alloys pay processing for hire B&O tax upon the total charge for those services.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review in 2014 with an upcoming review in 2024

82.04.120(2)(a) - Hay cubing

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.467	$0.467	$0.467	$0.467
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.428	$0.467	$0.467
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Many variables affect the price of hay, and prices tend to fluctuate year to year therefore no overall growth.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1997
Primary Beneficiaries:	Persons who cube hay or alfalfa
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2015 and 2018

82.04.120(2)(a) - Seed conditioning

Description

"To manufacture" excludes seed conditioning for B&O tax purposes. To manufacture seeds means the seeds are used for planting. In addition, wholesale sales to farmers of seed conditioned for use in planting, or conditioning seed owned by others for their planting is exempt from the wholesale B&O tax (RCW 82.04.331).

Purpose

Encourages seed conditioning businesses to relocate to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.170	$1.230	$1.290	$1.360
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.130	$1.290	$1.360
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth of 5% based on historical seed conditioners' wholesale sales.
- Conditioned seeds account for one-third of Washington seed conditioner's gross wholesaling income.
- There is a separate B&O tax exemption for conditioned seeds sold wholesale in Washington. This estimate does not account for multiple activities tax credits.

Data Sources

- Department of Revenue, Excise tax data
- Washington State Crop Improvement, Washington conditioners
- U.S. Department of Agriculture, Census of Agriculture

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Manufacturers of conditioned seeds for planting
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.120(2)(b) - Seafood processing

Description

The cutting, grading or ice glazing of seafood cooked, frozen or canned outside of Washington is not a manufacturing activity. These activities are not subject to the 0.484% manufacturing B&O tax rate.

Purpose

To encourage these activities and to create and retain jobs within the seafood industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would increase revenues, however the impact is indeterminate.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impacts are indeterminate, because other statutes exempt some but not all activities from manufacturing B&O tax. Activities not exempt are not separately identifiable.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Seafood processors
Taxpayer Count:	65
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.120(2)(d) - Packing agricultural products

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impacts reported under the B&O tax deduction for processing horticultural products.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1975
Primary Beneficiaries:	Agricultural product packers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

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

Description

Manufacturing B&O tax applies to the production of prewritten computer software when the producer transfers the software by means of tangible storage media. Manufacturing B&O tax does not apply to the production of software transferred electronically, or to the production of digital goods.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This definitional clarification results in no taxpayer savings.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	Software, 2003; Digital goods, 2009
Primary Beneficiaries:	Sellers of electronically delivered goods and software
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

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

Description

Businesses manufacturing semiconductor materials are subject to the B&O tax at a rate of 0.275%, instead of the general manufacturing rate of 0.484%.

The lower tax rate is contingent upon the commencement of a commercial operation of a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion prior to January 1, 2024. If the contingency does not occur, the reduced rate expires January 1, 2024.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax preferential rate would not increase revenues because no business is currently utilizing this incentive.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers are currently utilizing this preferential rate. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur, and the contingency will not be met before the expiration of this law.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses that manufacture semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016

82.04.2403 - Fish cleaning

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This calculation excludes cleaning saltwater fish which this report includes under the seafood products manufacturing B&O tax exemption.
- Actual taxpayer savings and potential revenue gains may be lower due to multiple activities tax credit and small business credit.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Fish and Wildlife, Commercial fish harvest data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Businesses harvesting and cleaning fresh fish
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.2404 - Semiconductor materials manufacturing

Description

Washington provides a preferential B&O tax rate of 0.275% on the manufacturing or processing for hire of semiconductor materials. This preferential rate expires December 1, 2028. Any person claiming the preferential rate must reimburse the department 50% of the amount of the preference if the number of persons employed by the person claiming the tax preference is less than 90% of the employment average for the previous three years.

Manufacturers with no tax preference pay tax at the rate of 0.484%.

Purpose

To retain existing semiconductor businesses and to attract similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This preferential tax rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that manufacture or process for hire semiconductor materials
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with an upcoming review in 2025

82.04.250(3) - Certified aircraft repair firms

Description

Qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR Part 145" repair facility receive a reduced B&O tax rate of 0.2904%. Without the preferential rate, these businesses would be subject to the 0.484% rate applicable to the retailing of interstate transportation equipment. The preferred B&O tax rate expires July 1, 2040.

Purpose

To encourage the airplane repair industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.580	$0.600	$0.600	$0.610
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.550	$0.600	$0.610
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the March 2023 S&P Global Market Intelligence forecast.

Data Sources

- Department of Revenue, Annual tax performance reports
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	FAR Part 145 repair stations
Taxpayer Count:	37
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review scheduled in 2024

82.04.255 - Shared real estate commissions

Description

Real estate brokerage offices pay tax only on their share of commissions when two or more brokerage offices participate in a transaction, even if one business is located out of state. Individual associate brokers and salespersons are exempt from B&O tax when the brokerage office pays tax on the gross commission.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.880	$2.186	$2.391	$2.653
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.004	$2.391	$2.653
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The real estate brokerage office passes 50% of the commission to the real estate agent.
- The average annual wage of real estate agents in Washington in 2022 was approximately $72,000.
- Approximately 90% of real estate agents qualify for the small business credit and would not owe B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Occupational employment and wage statistics, May 2022

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Real estate brokers and agents
Taxpayer Count:	9,800
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with upcoming review in 2024

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

Description

Manufacturers of flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts, and sunflower oil receive a preferential B&O tax rate of 0.138%. The tax rate for general manufacturing is 0.484%.

Purpose

To provide tax relief to businesses because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This preferential B&O tax rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1949
Primary Beneficiaries:	Flour and oil manufacturers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2022

82.04.260(1)(b) - Seafood products manufacturing

Description

Beginning July 1, 2035, manufacturers of seafood products that remain in a raw, raw frozen, or salted state receive a preferential B&O tax rate of 0.138% for the following activities:

- The manufacturing of seafood products.
- The sale of manufactured seafood products to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing B&O tax rate is 0.484%; however, seafood product manufacturing described above is exempt from B&O tax until July 1, 2035.

Purpose

To provide tax relief to food processors and to create and retain jobs within the seafood industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues beginning July 1, 2035.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4269).

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2012
Primary Beneficiaries:	Seafood manufacturers
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014 and 2022

82.04.260(1)(c) - Dairy products manufacturing

Description

Beginning July 1, 2035, manufacturers of dairy products receive a preferential B&O tax rate of 0.138% on sales from the following activities:

- The manufacture of dairy products.
- The sale of manufactured dairy products to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing tax rate is 0.484% however, dairy product manufacturing described above is exempt from B&O tax until July 1, 2035.

Purpose

To provide tax relief to food processors and to create and retain jobs within the dairy industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues beginning July 1, 2035.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4268).

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Dairy products manufacturers
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014 and 2022

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

Description

Beginning July 1, 2035, manufacturers of fruit or vegetable products by canning, preserving, freezing, processing, or dehydrating receive a preferential B&O tax rate of 0.138% for the following activities:

- The manufacture of fruit and vegetables.
- The sale of manufactured fruit and vegetables at wholesale to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing B&O tax rate is 0.484%, however, fruit and vegetable product manufacturing described above is exempt from B&O tax until July 1, 2035.

Purpose

To provide tax relief to food processors and to create and retain jobs within the fruit and vegetable industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues beginning July 1, 2035.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4266).

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Processors of fruits and vegetables
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014, and 2022

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

Description	The manufacturing of wood biomass fuel gets a reduced B&O tax rate of 0.138%. The general tax rate for manufacturing is 0.484%. "Wood biomass fuel" means a liquid or gaseous fuel produced from lignocellulosic feedstocks, including wood, forest, or field residue, and dedicated energy crops. The term does not include wood treated with chemical preservations like creosote, pentachlorophenol, or copper-chrome-arsenic.
Purpose	Encourage the production of alternative fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this reduced B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This reduced B&O tax rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Wood biomass manufacturers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.04.260(2) - Dried pea processors

Description

Businesses that split or process dried peas receive a preferential B&O tax rate of 0.138%, rather than the general tax rate for manufacturing of 0.484%.

Purpose

To provide tax relief to businesses because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.138	$0.143	$0.149	$0.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preference would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.131	$0.149	$0.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Dried pea processors
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.260(3) - Nonprofit research and development

Description

Income from nonprofit corporations and associations performing research and development (R&D) services is subject to a B&O tax rate of 0.484%.

Purpose

To support the advancement of nonprofit R&D.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently reporting this preferential tax rate. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Nonprofit corporations and associations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

82.04.260(4) - Meat processors

Description

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

Purpose

To provide tax relief to businesses because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$29.430	$31.280	$33.250	$35.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$28.680	$33.250	$35.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6.3% based on slaughtering, breaking, and processing perishable meat historical taxable amounts.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Meat processors
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2022

82.04.260(5) - Travel agents and tour operators

Description

Income from businesses providing travel agent or tour operator services is subject to the travel agents/tour operators B&O tax at the following rates:

- 0.275% if the prior year annual taxable amount from providing travel agent or tour operator services is $250,000 or less.
- 0.9% if the prior year annual taxable amount from providing travel agent or tour operator services is more than $250,000.

Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Provides a tax preference to travel agents or tour operator services tied to annual taxable amounts.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.390	$6.640	$6.940	$7.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.090	$6.940	$7.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.260(5) - Travel agents and tour operators

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Travel agents and tour operators
Taxpayer Count:	755
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2025

82.04.260(6) - International charter and freight brokers

Description

Income from performing the following international business activities is subject to the preferential B&O tax rate of 0.275%:
- Steamship agents.
- Customs house broker.
- Freight forwarders.
- Air cargo agents.
- Vessel or cargo charter brokers in foreign commerce.

Domestic charter and freight brokering business activities do not qualify for the preferential rate; instead, the income is subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$23.600	$24.510	$25.600	$26.820
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$22.460	$25.600	$26.820
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.260(6) - International charter and freight brokers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	International charter and freight brokers
Taxpayer Count:	176
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2019

82.04.260(7) - Stevedoring

Description

Income from businesses performing stevedoring and similar waterborne cargo handling activities receive a preferential B&O tax rate of 0.275% rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.850	$21.660	$22.620	$23.690
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.850	$22.620	$23.690
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Stevedoring businesses
Taxpayer Count:	37
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2017

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

Description

Insurance producers, title insurance agents, and surplus line brokers receive a preferential B&O tax rate of 0.484% on income received, rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$30.870	$37.830	$39.090	$40.370
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$34.680	$39.090	$40.370
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesale B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Insurance producers, title insurance agents, and surplus line brokers
Taxpayer Count:	3,900
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.260(11) - Commercial airplane manufacturing

Description

Beginning April 1, 2020, manufacturers of commercial airplanes or components of commercial airplanes, as well as tooling used in the production of commercial aircraft pay a general manufacturing B&O tax rate of 0.484% for manufacturing, wholesaling, and retailing activities.

After March 31, 2021, the tax rate must be reduced to 0.357% if the Department of Commerce verifies with the U.S. trade representative that the U.S. and the European Union have entered into a written agreement that resolves any world trade organization disputes involving large civil aircraft. This preferential rate expires July 1, 2040.

Purpose

Encourage the assembly of commercial airplanes in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax rate would not increase revenues unless the Department of Commerce verifies the resolution, and the preferential rate applies.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The Department of Commerce has not verified the resolution; therefore, the preferential rate does not apply. There will be no revenue impact during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Commercial airplane manufacturing companies
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with upcoming review in 2024

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

Description

Persons extracting or manufacturing timber and selling timber and wood products at wholesale receive a preferential B&O tax rate of 0.2904% (0.3424%, if including 0.052% surcharge). Previously, these activities were subject to a B&O tax rate of 0.484%.

This special rate also applies to the manufacturing of mass timber products.

Persons selling standing timber, if severed within 30 months of the sale agreement, receive a Real Estate Excise Tax (REET) exemption under this preference and pay B&O tax at 0.2904% (0.3424%, if including 0.052% surcharge). Without this preference, these activities would be subject to REET instead of B&O tax.

Both the preferential tax rate and surcharge expire July 1, 2045.

Purpose

To encourage businesses in the timber industry to continue operating in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.800	$21.700	$22.600	$23.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.900	$22.600	$23.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

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

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Timber industry
Taxpayer Count:	946
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2022

82.04.260(13) - Canned salmon services

Description

Businesses that inspect, test, label, or store canned salmon owned by another business receive a preferential B&O tax rate of 0.484%, rather than the service and other activities rate of 1.5% or 1.75%.

Purpose

To provide tax relief for businesses that provide certain services for salmon canners.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.277	$0.288	$0.300	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preference would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.264	$0.300	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses providing services to salmon canners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.263 - Radioactive waste cleanup

Description

Businesses providing clean-up services of radioactive waste or other by-products of weapons production and nuclear research and development for the U.S. government or its instrumentalities receive a preferential B&O tax rate of 0.471%.

Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$42.280	$43.900	$45.860	$48.050
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$40.250	$45.860	$48.050
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Radioactive waste cleanup businesses
Taxpayer Count:	180
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.04.272 - Prescription drug resellers

Description

Income from licensed businesses warehousing and reselling prescription drugs for human use receive a preferential B&O tax rate of 0.138%, rather than the wholesaling tax rate of 0.484%.

Purpose

To encourage prescription drug warehousing and reselling business activity in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$33.090	$34.310	$35.460	$36.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$31.460	$35.460	$36.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesale B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Prescription drug resellers
Taxpayer Count:	49
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited completed in 2021

82.04.280 - Rental of real estate

Description

Income from the long-term rental of real estate is not subject to B&O tax. Long-term means a continuous period of one month or more.

In 1959, the legislature extended the B&O tax to income from the rental of real estate. The following year the State Supreme Court ruled the tax to be unconstitutional in Apartment Operators Association of Seattle v. Schumacher, 56 Wn. 2d 46 (1960). The Washington Supreme Court later questioned the validity of Schumacher, but never specifically overturned the holding. While Chapter 82 RCW does not explicitly provide an exclusion for the rental of real estate it also does not include the activity in the list of those subject to tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$76.759	$79.373	$82.815	$89.255
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.500	$21.500	$34.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the annual growth for the housing market indicator rate reflected in the March 2023 S&P Global Market Intelligence forecast.
- This estimate uses an effective service and other activities B&O tax rate of 1.6975% to estimate revenues.
- Only 25% of the income from lessors of residential real estate would be subject to this tax, as most would be excluded due to the small amount of revenue received or because the rentals were short-term and already subject to the tax.
- There is significant litigation risk associated with this proposal. This estimate uses the following compliance factors to estimate collections:
    - 13% revenue collections in fiscal year 2025.
    - 26% revenue collections in fiscal year 2026.
    - 39% revenue collections in fiscal year 2027.
    - 52% revenue collections in fiscal year 2028 and thereafter.

Data Sources

- U.S. Census Bureau, 2017 Economic Census, Real Estate and Rental and Leasing: Summary Statistics for the U.S., States, and Selected Geographies
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	By statute in 1935, by court decision in 1960
Primary Beneficiaries:	Rental property owners
Taxpayer Count:	15,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

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

Description

Radio and television broadcasters may deduct gross receipts from national, network, and regional advertising from the measure of B&O tax. Broadcasters calculate the national, network, and regional advertising deduction using either:

- A standard deduction rate published by the department.
- By itemization using actual receipts.

Radio and television broadcasters receive a preferential B&O tax rate of 0.484% on the gross receipts from advertising rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Broadcasts which cross the state's boundaries and advertising income derived from outside the state may constitute interstate commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.380	$1.480	$1.570	$1.680
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenue unless the tax interferes with interstate commerce.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.360	$1.570	$1.680
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers located in Washington that do not report deduction detail on their excise tax return net the deduction for national, network, and regional advertising from the gross amounts reported. This estimate uses the standard deduction rate of 62% for these taxpayers.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1967
Primary Beneficiaries:	Broadcasters and cable and satellite television providers with advertising income
Taxpayer Count:	139
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2022

82.04.287 - Alternative jet fuel

Description

Persons who manufacture, wholesale, and retail alternative jet fuel pay a preferential B&O tax rate of 0.275% rather than the manufacturer and wholesale B&O tax rate of 0.484% and the retailing B&O rate of 0.471%.

Alternative jet fuel means fuel blended and used with conventional petroleum jet fuels without the need to modify aircraft engines. It also has a lower carbon intensity than the annual carbon intensity standard, and it does not include conventional jet fuel.

The preferential rates become effective the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year.

A person taking the preferential rates must file an annual tax performance report with the department.

The preferential rates expire nine calendar years after the close of the calendar year in which the tax rates take effect.

Purpose

To encourage the production of alternative jet fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would not increase revenues due to the preferential rate not becoming effective until the third quarter of 2026.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the preferential rates become effective, therefore is no revenue impact.

Data Sources

- Washington State University Office of National Partnerships, Sustainable Aviation Biofuels Work Group, December 2022 final report
- U.S. Energy Information Administration, Prices, Sales Volume and Stocks by State
- U.S. Energy Information Administration, PADD 5 Refinery and Blender Net Production
- California Air Resources Board, LCFS Pathway Certified Carbon Intensities
- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Manufacturers of alternative jet fuels
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.290(1) - International investment management services

Description

Businesses providing qualifying international investment management services (IIMS) receive a preferential B&O tax rate of 0.275% rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

A business is engaged in qualifying IIMS if it meets all the following qualifications:

- Primary business activity is providing investment management services.
- At least 10% of its gross income is from providing IIMS to a qualifying collective investment fund.
- More than 25% of the business's employees are located in Washington.
- The business is a member of an affiliated group with all the following:
  - 10 or more offices located in at least eight foreign countries.
  - At least 500 full-time employees worldwide.
  - Worldwide gross revenue of more than $400 million during the current or preceding calendar year.
  - Average assets under management of more than $200 billion during the current or preceding calendar year.

Purpose

To reduce a perceived competitive disadvantage for IIMS businesses and to attract new international trade and finance business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.160	$1.210	$1.260	$1.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues. However, businesses could move this activity out of the state.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.110	$1.260	$1.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Service and other activities B&O tax estimates use the tax rate of 1.75%. Of those tax impacts, 14.3% are deposited into the Workforce Education Investment Account.

82.04.290(1) - International investment management services

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Qualifying IIMS businesses
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and expedited review completed in 2017

82.04.290(3) - Aerospace product development

Description

Persons who perform aerospace product development for others receive a preferential B&O tax rate of 0.9%, as compared to the service and other activities B&O tax rate of 1.5% or 1.75%. The preferential tax rate expires July 1, 2040.

Purpose

To provide an incentive for persons to engage in aerospace product development, such as research, engineering, and design activities performed in developing an aerospace product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.700	$1.820	$1.870	$1.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.660	$1.870	$1.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected S&P Global Market Intelligence's March 2023 forecast.

Data Sources

- Department of Revenue, Annual tax performance report data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Businesses engaged in aerospace product development
Taxpayer Count:	115
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.04.2905 - Childcare

Description

Income from businesses providing childcare services for periods less than 24 hours receive the preferential B&O tax rate of 0.484%, rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Notes:
- Churches that provide childcare services for periods less than 24 hours and exempt from property tax are exempt from B&O tax.
- Care services of children under eight years old and who are not enrolled in first grade or above are exempt from B&O tax.
- The impacts from these exemptions are in separate estimates.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.790	$1.850	$1.940	$2.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.700	$1.940	$2.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses providing childcare
Taxpayer Count:	1,100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.04.2906 - Chemical dependency treatment

Description

Income from Department of Social and Health Services (DSHS) certified businesses providing intensive inpatient or recovery house residential recovery treatment services for chemical dependency and receiving payment from government sources is subject to the preferential B&O tax rate of 0.484%.

Income from payment by non-government sources is subject to the service and other activities B&O tax rate of 1.5% or 1.75% if taxable income was $1 million or more in the prior calendar year.

Purpose

To support chemical dependency center businesses providing social and health services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.860	$0.920	$0.970	$1.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.840	$0.970	$1.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the hospital B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses providing treatment for chemical dependency
Taxpayer Count:	17
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.04.2908 - Assisted living facilities

Description

Income from businesses operating licensed assisted living facilities providing room and daily living or health support, or occasional nursing services receive a preferential B&O tax rate of 0.275%. Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$16.020	$16.640	$17.380	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$15.250	$17.380	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the hospital B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities
Taxpayer Count:	344
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming full review scheduled in 2026

82.04.2909 - Aluminum manufacturing and wholesaling

Description

Income from businesses using an aluminum smelter to manufacture and wholesale aluminum receive a preferential B&O tax rate of 0.2904%. Income from manufacturing and wholesaling non-aluminum products is subject to the manufacturing and wholesaling B&O tax rate of 0.484%.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this preferential rate. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.04.294 - Solar energy and silicon product manufacturers

Description

Businesses manufacturing or wholesaling solar energy systems or producing silicon components for these systems receive a preferential B&O tax rate of 0.275% until June 30, 2032. If no preferential rate existed, the rate would be 0.484%.

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

Purpose

To support the solar electric industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.456	$0.463	$0.470	$0.477
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.424	$0.470	$0.477
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for solar energy and silicon product manufacturing activities mirrors the U.S. electric renewable energy generation outlook reflected in Statista forecast.

Data Sources

- Department of Revenue, Excise tax data
- Statista, U.S. electric power renewable energy generation outlook by technology 2013-2040

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Businesses manufacturing certain solar energy systems and their components
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with an upcoming expedited review in 2025

82.04.298(2) - Grocery distribution co-ops

Description

Qualified grocery cooperatives can take a deduction from the gross proceeds of sales of groceries for resale to their members that is equal to the portion of the gross proceeds of sales for resale that represents the actual cost of the merchandise sold to members. However, commission income is subject to tax under the service classification.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Grocery distribution cooperatives
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2022

82.04.299(2)(a)(i) - Hospitals exempt from workforce education surcharges

Description

Select advanced computing businesses pay the workforce education investment surcharge of 1.22% on service and other activities B&O income. Hospitals (as defined in RCW 70.41.020) are exempt from the surcharge.

Purpose

To lower costs for hospitals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.300	$9.300	$9.300	$9.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$14.025	$9.300	$9.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and in fiscal year 2025 impacts three quarters of workforce education investment advanced computing surcharge (ACS) tax collections.
- Growth rate mirrors the service B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A hospital whose affiliated group has over $25 billion in revenues will have at least one affiliate engaging in advanced computing services.
- The ACS is filed quarterly on one return on behalf of all entities in an affiliated group.
- The ACS tax paid is capped at $9 million per calendar year for an affiliated group. Because this repeal is effective on July 1, 2024, taxpayers who normally meet the cap by the third or fourth quarter of a calendar year will owe tax for those quarters in the first impacted year. Therefore, tax collections in the first impacted year are higher than the subsequent years.
- This estimate does not identify or consider affiliates of the taxpayers affected by this repeal when determining whether an affiliated group engaged in advanced computing has met the $9 million cap. If a taxpayer has affiliated businesses in their advanced computing group that are not hospitals, this may affect the revenue gain from this repeal.

82.04.299(2)(a)(i) - Hospitals exempt from workforce education surcharges

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Health, Hospital year end reports.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Hospitals
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.299(2)(a)(ii) - Provider clinics exempt from workforce education surcharges

Description

Select advanced computing businesses pay the workforce education investment surcharge of 1.22% on service and other activities B&O income. Provider clinics offering primary care, multispecialty, surgical, or behavioral health services are exempt from the surcharge. Affiliates of the provider clinic are also exempt from the surcharge if the affiliate meets one of the following:

- Offers health care services or provides administrative support for the provider clinic.
- Is an independent practice association.
- Is an accountable care organization.

Purpose

To lower costs for provider clinics.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.500	$5.300	$5.200	$5.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.800	$5.200	$5.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and in fiscal year 2025 impacts three quarters of workforce education investment advanced computing surcharge (ACS) tax collections and nine months of service and other activities B&O tax collections.
- Growth rate mirrors the service B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The ACS is filed quarterly on one return on behalf of all entities in an affiliated group.
- The ACS tax paid is capped at $9 million per calendar year for an affiliated group. Because this repeal is effective on July 1, 2024, taxpayers who normally meet the cap by the third or fourth quarter of a calendar year will owe tax for those quarters in the first impacted year. Therefore, tax collections in the first impacted year are higher than the subsequent years.
- Taxpayers who are subject to the ACS pay the service and other activities B&O tax at the 1.5% rate.

- Taxpayers who do not pay the ACS pay the service and other activities B&O tax at the 1.75% rate. Receipts from the additional 0.25% are deposited into the Workforce Education Investment Account.
- This estimate does not identify or consider affiliates of the taxpayers affected by this repeal when determining whether an affiliated group engaged in advanced computing has met the $9M cap. If a taxpayer has affiliated businesses in their advanced computing group that are not hospitals, this may affect the revenue gain from this repeal.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Health, Hospital year-end reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Health care provider clinics
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.301 - University-managed hospital in King County

Description

Certain hospitals are exempt from B&O tax. To qualify for the exemption, each hospital must be owned by a county with a population greater than two million and managed by a state university.

The exemption expires January 1, 2030.

Purpose

To lower taxes on hospitals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Qualifying hospital managed by state university
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.310(2) - Electricity sales for resale

Description

Wholesale sales of electrical energy are exempt from B&O tax.

Purpose

To provide the same B&O tax treatment as the PU tax. The sale of electricity to the consumer is the taxable transaction.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.160	$1.180	$1.200	$1.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.080	$1.200	$1.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the electric power public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2000
Primary Beneficiaries:	Power marketers selling electricity under contract to other entities
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and expedited review completed in 2017

82.04.310(3) - Natural gas surplus sales

Description

Sales of natural or manufactured gas are exempt from B&O tax if the person sells within the U.S. a total amount of natural or manufactured gas that is no more than 20% of the amount of natural or manufactured gas, they consumed within the U.S. within the same calendar year.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is considered to be minimal.

Data Sources

U.S. Energy Information Administration, Natural gas consumption by end use

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2007
Primary Beneficiaries:	Businesses using natural gas in industrial processes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.310(4) - Bonneville Power Administration funding

Description

Credits or funds provided by the Bonneville Power Administration for the purposes of implementing energy conservation or demand-side management programs are exempt from B&O tax if the tax savings received are used for the purpose of low-income ratepayer assistance or weatherization. The exemption expires January 1, 2031.

Purpose

Supports energy conservation programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.945	$0.945	$0.945	$0.945
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.866	$0.945	$0.945
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Bonneville Power Administration energy conservation program bill savings for ratepayers averages $63 million per year. Growth is minimal; therefore, amount remains the same for future periods.

Data Sources

- Bonneville Power Administration, Annual Report 2021

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2021
Primary Beneficiaries:	Washington electric utility companies
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.311 - Tobacco Settlement Authority

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Tobacco Settlement Authority

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2002
Primary Beneficiaries:	The authority and indirectly, citizens of the state
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.04.315 - International banking facilities

Description

International banking facilities are exempt from B&O tax. An international banking facility is:

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

Purpose

To encourage international trade through banks in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

- Federal Reserve Board, Structure Data for U.S. Banking Offices of Foreign Entities
- Federal Reserve Board, Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	International banking facilities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and full review completed in 2017

82.04.317; 82.04.422(1) - Wholesale auto auctions

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.245	$4.385	$4.464	$4.432
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.019	$4.464	$4.432
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the auto sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Auto dealers and auctioneers
Taxpayer Count:	291
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.04.320 - Insurance premiums

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$983.700	$1,003.900	$1,023.400	$1,043.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$920.300	$1,023.400	$1,043.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the insurance premiums growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Premiums can be subject to both insurance and B&O taxes.
- This activity is taxed at the 1.75% service and other activities B&O tax rate.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Insurance companies and policyholders
Taxpayer Count:	1,960
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.321 - Health care provider qualified health plan amounts

Description

Amounts received by a health care provider for services performed on patients covered by a qualified health plan are exempt from B&O tax. This includes reimbursement from the qualified health plan and any amounts collected from the patient as part of their cost-sharing obligation.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.650	$8.650	$8.650	$8.650
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.270	$8.650	$8.650
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal; therefore, amount remains the same for future periods.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Healthcare providers
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.322 - Health maintenance organizations

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$420.140	$442.180	$465.360	$489.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$405.330	$465.360	$489.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 5.2% based on historical insurance premiums data.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1993
Primary Beneficiaries:	Health maintenance organizations, health care service contractors, and certified health plans and their members
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.323 - Health Benefit Exchange

Description

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

Purpose

To reduce the WHBE's operating costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Health Benefit Exchange, Revenue data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Washington Health Benefit Exchange
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.04.324 - Nonprofit blood, bone and tissue banks

Description	Qualifying nonprofit blood or tissue banks or qualifying blood and tissue banks receive a B&O tax exemption from income exempt from federal income tax.
Purpose	To support the activities of these entities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.120	$10.500	$10.970	$11.490
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.630	$10.970	$11.490
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The portion of income exempt from federal income tax equates to 80% of total income and would be subject to service B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Projects.Propublica.org, Nonprofit explorer, 990 IRS forms

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit blood, bone, or tissue banks
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.326 - Organ procurement

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit organizations that locate and obtain human organs for transplant operations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.04.327 - Adult family homes

Description

Adult family homes that provide for the health, welfare, and safety of residents including elderly persons, adults with developmental or other disabilities, are exempt from B&O tax. To qualify the home must be:

- Licensed as an adult family home.
- Exempt from licensing under rules of the Department of Social and Health Services.

Purpose

Reduces the cost of operating adult family homes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.860	$10.230	$10.680	$11.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.380	$10.680	$11.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Social and Health Services, Client participation data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Adult family homes
Taxpayer Count:	4,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming full review in 2026

82.04.330 - Agricultural producers

Description

Farmers who make wholesale sales of agricultural products; or grow, raise, or produce agricultural products owned by others are exempt from B&O tax. "Farmer" means any person engaged in the business of growing, raising, or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product to be sold, and the growing, raising, or producing honeybee products for sale, or providing bee pollination services, by an eligible apiarist. "Farmer" does not include a person growing, raising, or producing such products for the person's own consumption; a person selling any animal or substance obtained therefrom in connection with the person's business of operating a stockyard or a slaughter or packing house; or a person in respect to the business of taking, cultivating, or raising timber.

Eligible apiarists are also exempt from B&O tax on sales of bee pollination services to a farmer. "Eligible apiarist" means a person who owns or keeps one or more bee colonies and who grows, raises, or produces honeybee products for sale at wholesale and is registered with Washington Department of Agriculture.

This B&O tax exemption does not apply to retailers of agricultural products at retail or manufacturers of articles or substances.

Purpose

To aid an industry that was severely depressed in 1935 when the exemption was enacted. The exemption recognizes the low profit margins and high transportation costs faced by most farmers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$45.920	$46.380	$46.850	$47.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$42.520	$46.850	$47.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the average historical growth rate of the value of agricultural products.
- The majority of value of agriculture production would be taxable without the exemption. This estimate assumes 90%.

82.04.330 - Agricultural producers

Data Sources

- U.S. Department of Agriculture, Census of Agriculture
- National Agricultural Statistics Service, Agriculture overviews and bulletins

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers making wholesale sales of agricultural products
Taxpayer Count:	35,200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.04.330; 82.04.100 - Christmas tree producers

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.078	$0.079	$0.081	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.072	$0.081	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The compound annual growth rate for Christmas tree cultivation sales is 2.3%.

Data Sources

- Pacific Northwest Christmas Tree Association, 2017 Tree harvest data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Christmas tree growers
Taxpayer Count:	440
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2015 and 2018

82.04.330(1) - Bee pollination services by apiarists

Description

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

Purpose

To provide B&O tax relief for Washington's apiarists to counter the negative economic impact on the state's agricultural sector caused by colony collapse disorder.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.220	$0.221	$0.223	$0.225
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.203	$0.223	$0.225
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 0.85% based on total valuation of pollination reflected in Department of Agriculture publication.

Data Sources

- U.S. Department of Agriculture, Cost of pollination publication

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2015
Primary Beneficiaries:	Apiarists providing pollination services
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.331 - Conditioned seed wholesaling

Description

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

The exemption excludes seeds packaged for retail sale, flower seeds, vegetable seeds, seeds or portions of plants used to grow cannabis, ornamental flowers, shrubs, trees, ferns, or mosses.

Purpose

Assist businesses providing seed used in commercial agriculture.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The compound annual growth rate for seed conditioners' wholesale sales related to farm production expenses is 3.4%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Wholesalers of conditioned seeds used for planting crops
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.332 - Grain and unprocessed milk wholesaling

Description

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

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.360	$6.180	$6.010	$5.890
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.670	$6.010	$5.890
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the gross value-added farm growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Agriculture, Census of agriculture
- Joint Legislative Audit and Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Agricultural businesses
Taxpayer Count:	80
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.04.333 - Small timber harvesters

Description

Small timber harvesters (generally those harvest less than two million board feet in a calendar year) can exclude up to $100,000 per tax year from their gross receipts or value of products proceeding or accruing from timber harvested.

Purpose

To support small harvesters.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.024	$0.023	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.021	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the timber excise tax growth rate reflected in the Economic and Revenue Council's March 2023 forecast.
- Tax savings calculated based on the preferential B&O tax rate of 0.3424%. This rate includes the 0.052% surcharge.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Small timber harvesters
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2023

82.04.334 - Standing timber exclusion

Description

Sales of standing timber excluded from the definition of "sale" for purposes of real estate excise tax are exempt from B&O tax.

Purpose

To support Washington's timber industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Integrated wood products companies and real estate investment trusts
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.335 - Agricultural fairs

Description

Bona fide agricultural fairs are exempt from B&O tax if no part of the net earnings benefit any stockholder or member of the association conducting the fair.

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.444	$0.448	$0.452	$0.457
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.411	$0.452	$0.457
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management's April 2022 population forecast.
- Fair admissions will return to near pre-pandemic levels.

Data Sources

- Office of Financial Management, April 2022 population forecast
- Washington Fairs Association, List of fairs
- Washington Department of Agriculture, Fair funding applications
- County fair websites, Admissions and parking costs

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1965
Primary Beneficiaries:	County, community fairs, and youth livestock shows
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2010 and 2018

82.04.337 - Hops processed and exported

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.190	$2.190	$2.190	$2.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.010	$2.190	$2.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The three-year average for hops produced in Washington is 76.86 million pounds. Hop production is fairly constant per year, there is no annual growth.
- The three-year average farm-gate value of Washington hops is $5.92 per pound.
- The processed value of exported hops is about 455 million per year.

Data Sources

- Washington Hop Commission
- U.S. Department of Agriculture, National Hop Report released December 2022
- Liquor and Cannabis Board, 2022 Washington beer production
- Brewers Association

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Hop producers and merchants
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2015 and 2018

82.04.338 - Hop Commission services

Description

Nonprofit organizations are exempt from B&O tax on income earned from business activities performed for a Hop Commodity Commission or Hop Commodity Board.

Purpose

Supports the hop industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Hop Commission

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Nonprofits providing services to the Hop Commission
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.339 - Church childcare

Description

Churches providing childcare for periods of less than 24 hours are exempt from B&O tax. The church must be exempt from property tax to qualify.

Purpose

Reduces the cost of operating such facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.300	$0.320	$0.340	$0.370
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.040	$0.090	$0.140
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This group of taxpayers are not registered; reporting compliance is expected to be:
    - 13% revenue collections in fiscal year 2025.
    - 26% revenue collections in fiscal year 2026.
    - 39% revenue collections in fiscal year 2027.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Early Learning 2021 Childcare market rate survey final report
- Washington Department of Early Learning 2014 Childcare survey

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Childcare centers operated in churches
Taxpayer Count:	240
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.04.3395 - Childcare resources and referral

Description

Nonprofit childcare resource and referral services are exempt from B&O tax on income received for services which link families with licensed childcare providers.

Purpose

Reduces the cost of providing these services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Childcare resource and referral offices
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2019

82.04.340 - Boxing and wrestling matches

Description

Income from businesses conducting boxing, sparring, or wrestling matches that require to be licensed through the Department of Licensing are exempt from B&O tax.

Purpose

The purpose of the exemption was to avoid double taxation, as these businesses were subject to a gross receipts tax on ticket sales. In 2009, this tax was changed to a fee. The fee is 6% of gross admissions receipts and $1 per ticket sold. These funds are deposited into the business and professions account to cover the costs of licensing and regulating these professions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington personal income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Washington Department of Licensing, Boxing and wrestling data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Businesses conducting boxing or wrestling matches
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 and 2022

82.04.350 - Horse racing

Description

Persons who conduct horse racing events and licensed by the Washington Horse Racing Commission are exempt from the service and other B&O tax but are subject to the pari-mutuel tax. Enacted in 2005, this tax applies a rate of 0.2% through June 30, 2024, and 0.26% thereafter to the income derived from pari-mutuel wagering.

Purpose

To exempt gross income from B&O tax that is already taxable under the pari-mutuel tax

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Horse Racing Commission, Annual reports

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Persons who conduct horse racing events
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2007 and 2022

82.04.355 - Ride sharing and special needs transportation

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Income received during ride sharing or ride sharing for persons with special transportation needs would be subject to PU tax under the motor or urban transportation classification absent the PU tax exemption.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit social service organizations, van pools and carpools that provide ride sharing or ride sharing for persons with special transportation needs
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.360 - Income of employees

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1,093.000	$1,175.000	$1,270.000	$1,374.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$545.000	$1,174.000	$1,305.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Annual growth mirrors the Economic and Revenue Forecast Council forecast for wages.
- Employers must withhold wages and remit the tax to the department; the department receives quarterly payments, first due in October 2024.
- The B&O tax rate for service and other activities is:
  - 1.5% for taxpayers with less than $1 million in service/other taxable during the prior year, and
  - 1.75% for taxpayers a greater amount of service/other taxable during the prior year.
- The small business tax credit applies, using the Service and Other Activities classifications.
- Compliance:
  - 90% revenue collections in Fiscal Year 2025, and
  - 95% revenue collections in Fiscal Year 2026 and thereafter.

82.04.360 - Income of employees

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Unemployment insurance data
- Internal Revenue Service (2021), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service, W-2 data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Individuals receiving wages and salaries
Taxpayer Count:	566,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2020

82.04.360(1) - Life insurance sales employees

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.982	$1.018	$1.052	$1.086
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.840	$0.999	$1.032
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Compliance will be as follows:
  - 90% compliance for fiscal year 2025.
  - 95% compliance for all fiscal years thereafter.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Employment and wages data
- Office of the Insurance Commissioner, Insurance premiums data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Life insurance sales agents
Taxpayer Count:	10,800
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.04.363 - Nonprofit camps and conference centers

Description

Nonprofit organizations are exempt from B&O tax on amounts received for providing certain items at a camp or conference center conducted on property exempt from property tax. This includes charges for:

- Camping and lodging facilities, the use of meeting rooms, parking.
- Furnishing food and meals.
- Books, tapes, and other products available to participants of the camp or conference but not to the general public.

Purpose

To reduce the cost of operating camps and conference centers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.970	$3.210	$3.470	$3.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.940	$3.470	$3.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Camp revenues grow 8% annually and store sales represent 1% of the revenue.
- Camps generated $26 billion in revenue nationally in 2021.
- Nonprofit organizations receiving a property tax exemption in Washington own and operate 2% of nationwide camps.

Data Sources

- Department of Revenue, Property tax data
- American Camp Association, Nationwide camp statistics
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

82.04.363 - Nonprofit camps and conference centers

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	Participants at nonprofit camps and conferences
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Expedited report completed in 2014

82.04.3651 - Nonprofit organization fundraising

Description

Amounts received by nonprofit organizations and libraries through fundraising activities for the purpose of furthering the goals of the organization are exempt from B&O tax. Fundraising activities include:

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

Fundraising activities does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

Purpose

To support fundraising activities by nonprofit organizations and libraries.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$212.100	$222.600	$234.700	$247.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$204.100	$234.700	$247.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates mirror the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Fundraising accounts for 12.5% of the total revenue generated.

Data Sources

- Economic and Revenue Forecast Council, March 2023
- National Council of Nonprofits, Nonprofit revenue data
- Cause IQ, Washington nonprofit data

82.04.3651 - Nonprofit organization fundraising

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations fundraising to support their activities.
Taxpayer Count:	41,000
Program Inconsistency:	None evident
JLARC Review:	Expedited report in 2014 with an upcoming review in 2024.

82.04.367 - Nonprofit student loan organizations

Description

Nonprofit organizations exempt from federal income tax may exempt income subject to B&O tax if they:

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

Purpose

Promotes the availability of student loans.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Due to the discontinuation of the Federal Family Education Loan (FFEL) Program, the federal government now directly distributes financial aid for education rather than through a nonprofit organization.

Data Sources

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

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	Nonprofit student loan organizations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.04.368 - Nonprofit credit and debt counseling

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Nonprofits do not generally charge clients for credit and debt counseling services.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Nonprofit credit and debt counseling
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2024

82.04.370 - Fraternal insurance

Description

Insurance premium income received by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disabilities benefits and insure property for their members. These premiums are also exempt from insurance premiums tax.

Purpose

To support the programs and activities of these organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.560	$3.630	$3.690	$3.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.850	$3.690	$3.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 1.9% based on historical insurance premiums data.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2021

82.04.380 - Federal instrumentalities furnishing aid and relief

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.385 - Nonprofit sheltered workshops

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.180	$1.220	$1.270	$1.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.120	$1.270	$1.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	Workshops and training homes throughout the state
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2026

82.04.390 - Real estate sales

Description

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

Purpose

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

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4,548.800	$5,290.700	$5,787.500	$6,421.500
Local Taxes	$1,907.400	$2,218.500	$2,426.800	$2,692.600

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4,849.800	$5,787.500	$6,421.500
Local Taxes	$0.000	$2,033.600	$2,426.800	$2,692.600

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth of real estate excise tax (REET) has reflected in the March 2023 Economic and Revenue Forecast Council forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The department receives REET data electronically from 36 counties. For the three counties without electronic reporting, this estimate assumes sales similar to the urban or rural counties.
- Real estate sales can be subject to B&O tax , state and local sales taxes, and REET.

Data Sources

- Department of Revenue, Real estate excise tax collections
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.390 - Real estate sales

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Individuals selling real estate
Taxpayer Count:	304,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 with upcoming review in 2024

82.04.392 - Trust account amounts received by mortgage brokers

Description

Amounts received by mortgage brokers from borrowers for payment of third-party services are trust funds held in trust accounts until disbursement (RCW 19.146.050). The amounts received by mortgage brokers from trust accounts for payment of third-party services are exempt from B&O tax.

Purpose

To recognize that trust fund payments to third parties are not income to the mortgage broker.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.670	$0.760	$0.850	$0.970
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, a mortgage broker may be able to deduct third-party services as an advance or reimbursements (WAC 458-20-111).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.700	$0.850	$0.970
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth in mortgages mirrors the housing market growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- The growth in mortgage fees mirrors the real personal income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Buyers will use a mortgage broker for a home loan 16% of the time.
- Certain third-party fees would not qualify as pass-through (under WAC 458-20-111) and the broker would owe tax on those amounts.
- Third-party fees paid by brokers qualify as pass-through 80% of the time.

Data Sources

- S&P Global Market Intelligence, Housing Market Indicators
- Economic and Revenue Forecast Council, March 2023 forecast
- FFIEC, Home Mortgage Disclosure Act modified loan application register
- Realtor Magazine, Average Closing Costs by State
- Bankrate, Closing Costs Survey, May 2017
- The Mortgage Reports, Mortgage Broker Population Rises: Here's why that's good for you

82.04.392 - Trust account amounts received by mortgage brokers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Mortgage brokers holding funds used to pay for third-party provided services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.399 - Academic transcripts

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth based on projected enrollment figures.
- The state would not pay B&O tax on income providing transcripts for students at public colleges and universities.
- Political subdivisions are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.
- 31% of high school graduates order five transcripts at $5 each.
- 50% of college graduates order and pay for 5 transcripts at $10 each.

Data Sources

- Office of the Superintendent of Public Instruction, K-12 data
- Digest of Education Statistics, College graduate data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Public and private educational institutions
Taxpayer Count:	295 school districts, 46 public colleges, 57 private colleges
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2014 and 2019

82.04.405 - Credit unions - federal chartered

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.000	$4.320	$4.660	$5.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue impact because federal law prohibits state taxation of federal credit unions.
- Includes credit union taxpayer savings from loans as that revenue is not included in the first mortgage B&O tax deduction.
- Growth rate mirrors the compound annual growth rate for federally chartered credit union gross income from 2014 to 2022.

Data Sources

- National Credit Union Administration, Annual Financial Performance Reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Federally Chartered Credit Unions
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and 2017

82.04.405 - Credit unions - state chartered

Description

Credit unions chartered under Washington law are exempt from B&O tax.

Purpose

To provide comparable tax treatment as federally-chartered credit unions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$50.940	$55.370	$60.190	$65.430
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.194	$0.274	$0.343
Local Taxes	$0.000	($0.441)	($0.504)	($0.527)

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for use tax mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The B&O growth rate for state-chartered credit unions is the compound annual growth rate over the last five years.
- Large and medium sized state-chartered credit unions will convert to a federally-chartered credit union. Smaller credit unions will remain state-chartered. A "small" credit union has less than 10,000 members.
- As a federal entity, a federally-chartered credit union is exempt from sales and use taxes. Credit unions converting to federally-chartered will no longer report sales and use taxes.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council March 2023 revenue forecast
- National Credit Union Administration, 2021 call report data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	State-Chartered Credit Unions
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and 2017

82.04.408 - Housing Finance Commission

Description

Income received by the Housing Finance Commission (commission) is exempt from B&O tax. This income includes fees generated from bonds issued and interest received from reserves used for the operation of the Commission.

Purpose

To support the activities of the commission as a financial conduit for programs that provides affordable housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	The Housing Finance Commission
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption.
JLARC Review:	Expedited review completed in 2011 and 2017

82.04.410 - Hatching eggs and poultry

Description

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

Purpose

To support poultry producers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No hatcheries in Washington produce genetically improved chicks on a large-scale basis for commercial producers. Most Washington commercial egg producers purchase replacement chicks from out-of-state hatcheries.
- Minimal impact for hatching eggs sold within Washington.

Data Sources

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

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers that produce and sell eggs or poultry for production
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 and expedited review completed in 2018

82.04.415 - Sand and gravel for local road construction

Description

B&O tax does not apply to the cost of labor and services performed in mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel and rock taken from a pit owned by or leased to a city or county. The sand, gravel or rock must be either:

- Placed on a street of the city or county.
- Sold at cost to another city or county for use on public roads.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.270	$0.290	$0.310	$0.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.260	$0.310	$0.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6.0% based on excise tax data.
- Sand and gravel used in local construction represent 7.5% of government contracting, as reported by 70% of highway, street, and bridge construction taxpayers.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1965
Primary Beneficiaries:	Contractors and municipalities that perform road work
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.04.416 - 2nd Narrows bridge

Description

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

Purpose

Lower the overall cost of operation of the bridge and encourage a private business to enter into a contract with the state to operate the facility.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Transportation, 2022 Toll Division Annual Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses that contract with the state to operate the bridge toll facilities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2020

82.04.418 - Grants to local government

Description

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

Purpose

Supports grants for social welfare services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues as these amounts are exempt under other statutes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this exemption results in no revenue impact. Other statutes provide exemptions for governmental and social welfare grants (RCW 82.04.419 and 82.04.4297).

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Local jurisdictions receiving grants from state or U.S. government
Taxpayer Count:	Unknown
Program Inconsistency:	None
JLARC Review:	Expedited review completed in 2011 with an upcoming review scheduled in 2025

82.04.419 - Local government business income

Description

Counties, cities, towns, school districts and fire districts are exempt from B&O tax.

Public utilities and enterprise activities are not exempt from B&O tax. Enterprise activities include activities financed and operated similar to a private business.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$207.600	$251.600	$262.700	$275.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$86.000	$114.400	$119.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repeal impact does not include county, city, town, school district, and fire district income exempt under other statutes.

Data Sources

- State Auditor Office, Local government data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Counties, cities, towns, school districts, and fire districts
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2025

82.04.4201 - Regional Transit Authority Sales and Leasebacks

Description

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

Purpose

The RTA uses this financing mechanism to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2000
Primary Beneficiaries:	Regional transit authority
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2020

82.04.421 - Group discount purchases

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Sellers of certain memberships
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.422(2) - Accommodation sales of automobiles

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.156	$0.162	$0.167	$0.173
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.149	$0.167	$0.173
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesaling B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This estimate may be overstating revenues as the repeal of the exemption for dealer trades may result in additional taxpayers using the exemption for accommodation sales (many of these transactions may qualify as both).

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2001
Primary Beneficiaries:	Dealers of new motor vehicles
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 with an upcoming review in 2026

82.04.425 - Accommodation sales

Description

Wholesale sales between businesses regularly selling the same type of property are exempt from B&O tax where the sale is at a cost to a buyer with an existing order for the product from a customer or occurs within 14 days as a reimbursement in-kind for a previous accommodation sale.

Additionally, sales by a wholly owned subsidiary to its parent company are exempt from B&O tax when the parent sells the goods in a transaction that qualifies for the sales tax exemption for sales to U.S. government and pays the B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.185	$1.103	$1.026	$0.955
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.011	$1.026	$0.955
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate assumed is average growth rate for the last five years.
- Data used only includes casual/accommodation sales exemptions from taxpayers with motor vehicle dealer NAICS codes assigned; this could include amounts due to casual sales and could exclude accommodation sales from other industries.
- This estimate may be overstating revenues as the repeal of the exemption for dealer trades may result in additional taxpayers using the exemption for accommodation sales (many of these transactions may qualify as both).

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1955
Primary Beneficiaries:	Wholesalers and retailers
Taxpayer Count:	113
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2026

82.04.4251 - Nonprofit convention and tourism promotion

Description

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

Purpose

To encourage tourism.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Tourism Marketing Authority, State tourism promotion oversight

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2006
Primary Beneficiaries:	Private organizations promoting tourism
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.04.426 - Semiconductor microchip manufacturing after $1 billion investment

Description

Businesses that manufacture semiconductor microchips (defined as embedding integrated circuits on semiconductor wafers) are exempt from B&O tax on their manufacturing activity.

The exemption is contingent on commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This exemption expires January 1, 2024, unless the contingency is met.

Purpose

To retain and attract semiconductor businesses in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because no business is currently utilizing this incentive.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This contingency has yet to be met and the investment will not occur during the period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses manufacturing semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2021

82.04.4261 - Federal small business innovation grants

Description

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

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.210	$0.218	$0.228	$0.239
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.200	$0.228	$0.239
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- National Institute of Health, Small Business Innovation Research and Small Business Technology Transfer award data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Small businesses
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2023

82.04.4262 - Federal small business technology transfer grants

Description

Grants received from the federal government under the small business technology transfer program are exempt from B&O tax. The small business technology transfer program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace.

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.035	$0.036	$0.038	$0.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.033	$0.038	$0.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast.
- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer award data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Persons receiving grants from the federal government under the small business technology transfer program.
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2023

82.04.4264 - Nonprofit assisted living facilities

Description

Licensed nonprofit assisted living facilities providing room and domiciliary care to residents are exempt from B&O tax on amounts received.

A nonprofit assisted living facility means a facility that meets one of the following:
- Operated as a religious or charitable organization.
- Exempt from federal income tax under 26 U.S.C. Sec. 501(c)(3).
- Incorporated under the Washington Nonprofit Corporation Act.
- Operated as part of a nonprofit hospital.
- Operated as part of a public hospital district.

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

Purpose

Reduces B&O tax for nonprofit assisted living facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.617	$0.644	$0.672	$0.702
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.541	$0.672	$0.702
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 4.4% per Statista's analysis of long-term care facility costs.

Data Sources

- Department of Revenue, Excise tax data
- Statista, "Daily costs and increase of facility long-term care in the U.S. as of 2021"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Nonprofit assisted living facilities
Taxpayer Count:	72
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.04.4265 - Comprehensive cancer centers

Description

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

Purpose

To encourage a comprehensive cancer center to conduct cancer research.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.04.4266 - Fruit and vegetable manufacturing or processing

Description

Manufacturers of fruits or vegetable by canning, preserving, freezing, processing, or dehydrating are exempt from B&O tax for the following activities:

- The manufacture of fruits and vegetables.
- The sale of manufactured fruit and vegetables at wholesale to purchasers who transport it out-of-state in the ordinary course of business.

This exemption expires July 1, 2035.

Purpose

To provide tax relief to fruit and vegetable processors and to create and retain jobs within the fruit and vegetable industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.850	$21.310	$21.780	$22.260
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.530	$21.780	$22.260
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 2.2% based on incentive savings reported in the annual tax performance reports.

Data Sources

- Department of Revenue, Annual tax performance reports

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2005
Primary Beneficiaries:	Business manufacturing or processing fresh fruits or vegetables
Taxpayer Count:	260
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014, and 2022

82.04.4267 - Parking and business improvement areas

Description

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

Purpose

Ensures the PBIA won't receive different tax treatment whether administered by a local government or a chamber of commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.623	$0.646	$0.675	$0.710
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.593	$0.675	$0.710
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Various cities, Business improvement area reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Local government with business improvement areas
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.4268 - Dairy products manufacturing or wholesaling

Description

Manufacturers of dairy products are exempt from B&O tax for the following activities:

- The manufacture of dairy products.
- The sale of manufactured dairy products to purchasers who transport it out-of-state in the ordinary course of business.
- The sale of dairy products to purchasers who use the products as an ingredient or component in the manufacture of a dairy product.

Purpose

To provide tax relief to dairy processors and to create and retain jobs within the dairy industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.230	$6.460	$6.690	$6.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.920	$6.690	$6.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 3.6% based on incentive savings reported in the annual tax performance reports.

Data Sources

- Department of Revenue, Annual tax performance reports.

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1983
Primary Beneficiaries:	Dairy businesses
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Full reviews completed in 2010, 2014, and 2022

82.04.4269 - Seafood products manufacturing

Description

Manufactured seafood products that remain in a raw, raw frozen, or raw salted state are exempt from B&O tax for the following activities:
- The manufacture of seafood products.
- The sale of manufactured seafood products to purchasers who transport it out-of-state in the ordinary course of business.

This exemption expires July 1, 2035.

Purpose

To provide tax relief to seafood processors and to create and retain jobs within the seafood industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.997	$1.724	$1.487	$1.283
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.580	$1.487	$1.283
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of -13.7% based on incentive savings reported in the annual tax performance reports.

Data Sources

- Department of Revenue, Annual tax performance reports.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Seafood businesses
Taxpayer Count:	35
Program Inconsistency:	None evident
JLARC Review:	Full reviews completed in 2010, 2014, and 2022

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

Description

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

Purpose

To encourage pollution control and to compensate Washington businesses for the costs of upgrading pollution control facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit may increase revenues. However, businesses may argue they have a vested right to take credits authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Businesses required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum, and food industries.
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review scheduled in 2026

82.04.4271 - Nonprofit youth organization fees

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.351	$0.379	$0.410	$0.442
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.348	$0.410	$0.442
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Approximately 50% of the income of nonprofit organizations focusing on youth development comes from membership fees and retail activities.
- Approximately 30% of nonprofit organizations focusing on youth development own property in Washington and are receiving a property tax exemption.
- Revenues generated from youth development organizations grow 8% annually.

Data Sources

- Department of Revenue, Property tax data
- National Center for Charitable Statistics, Youth development organization data
- Urban Institute, Nonprofit revenue data
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.04.4272 - Direct mail delivery charges

Description

Delivery charges made for direct mail are exempt from B&O taxes if the charges are stated separately on the bill given to the purchaser. Direct mail refers to printed material delivered without charge to a mass group, or a mailing list provided by the purchaser.

Purpose

To exempt from delivery charges (postage) for direct mail from taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.069	$0.070	$0.073	$0.076
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.064	$0.073	$0.076
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.4274 - Nonprofit property management

Description

Nonprofit property management companies may deduct income received for paying on-site employees from a:
- Property owner.
- Housing authority.
- Limited liability company or limited partnership where the only managing member or general partner is a housing authority.

Purpose

To treat the income as pass-through. The management company supervises the on-site personnel, but the wages are ultimately the obligation of the owner.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.250	$1.290	$1.350	$1.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.190	$1.350	$1.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Business employment data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2011
Primary Beneficiaries:	Nonprofit property managers
Taxpayer Count:	1,226
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4275 - Child welfare services

Description

Health or social welfare organizations may deduct compensation they receive for providing child welfare services under a government-funded program for purposes of the B&O tax.

A person may deduct amounts they receive from Washington which are distributed to a health or social welfare organization as compensation for providing child welfare services under a government-funded program.

Purpose

Reduces the costs for health or social welfare organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.055	$0.054	$0.062	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.049	$0.062	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2011
Primary Beneficiaries:	Health or social welfare organizations
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.04.4276 - Loans to rural electric cooperatives

Description

Cooperative finance organizations may take a B&O deduction for amounts received derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services organized under state laws.

A cooperative finance organization is a non-profit organization with the primary purpose of providing, securing, or otherwise arranging financing for rural electric cooperatives.

A rural electric cooperative is a non-profit customer-owned organization that provides utility services to rural areas.

Purpose

To reduce taxes paid by cooperative finance organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Cooperative finance organizations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

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

Description

Businesses outside the financial sector, individuals, nonprofits, trusts, and estates qualify for a B&O deduction for investment income provided they are not engaged in banking, lending, or securities business activities.

Purpose

Recognizes that incidental investment income does not constitute taxable business income. Provides a positive environment for capital investment in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$337.300	$337.700	$342.400	$351.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$152.800	$320.800	$325.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024.
- Individuals must file annually, with payments due each April for income received in the prior calendar year. The first collections will occur in April 2025.
- All other filers must file monthly, impacting 11 months in fiscal year 2025.
- The small business tax credit applies, using the Service and Other Activities classifications.
- Annual growth in income mirrors the growth in specific forecasts produced from the following:
  - Economic and Revenue Forecast Council
  - U.S. Bureau of Economic Analysis
  - S&P Global Market Intelligence
- Compliance:
  - 90% revenue collections in fiscal year 2025, and
  - 95% revenue collections in fiscal year 2026 and thereafter.
- Pending litigation may impact these estimates.

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

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service, Individual income tax data, tax year 2019
- Internal Revenue Service, Estates and Trusts Returns data
- Internal Revenue Service, Exempt Organizations Business Master File Extract (EO BMF) - CSV Files by State- Internal Revenue Service, Tax Stats - Annual Extract of Tax-Exempt Organization Financial Data: Exempt Organization Returns Filed in Calendar Year 2020 - Form 990 Extract

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Businesses and individuals
Taxpayer Count:	121,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2017

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

Description

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

Businesses also qualify for a B&O tax deduction on amounts derived from interest on loans between a subsidiary and a parent or subsidiaries of a common parent if the total investment and loan income is less than 5% of annual gross income.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues; however, businesses may be able to shift this income to out-of-state affiliates.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The revenue impact from the repeal of this deduction is indeterminate. Information on amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries, and information on amounts derived on loans between a subsidiary and a parent or between subsidiaries of a common parent do not appear on state excise tax returns or business financial statements.

Data Sources

- Instructions for federal consolidated corporate income tax reporting
- Department of Revenue, Intercompany Transactions Report, 2012

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1970
Primary Beneficiaries:	Businesses with subsidiaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.4282(1,2) - Membership dues and fees

Description

Businesses may take a B&O tax deduction for amounts received as initiation fees and membership dues if paid solely for continuing membership in the organization and not for payment of goods or services.

Purpose

Recognizes that initiation fees and membership dues are not a taxable activity and are not included in the gross income of the organization.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.272	$3.398	$3.549	$3.718
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.115	$3.549	$3.718
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Members do not receive goods or services in exchange for paying initiation fees and membership dues.
- Affects organizations reporting a deduction for initiation fees and membership dues except:
  - Taxpayers that are sole proprietorships.
  - Museums.
  - Fitness and recreational sports centers.
  - Nonprofit youth organizations.
  - Educational groups.
  - Legal and medical groups.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.4282(1,2) - Membership dues and fees

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Organizations who provide a membership solely for social purposes
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 with an upcoming review in 2024

82.04.4282(3,4) - Contributions and donations

Description

Organizations may take a B&O tax deduction for amounts received as contributions and donations if no goods or services are provided as a condition for receiving the funds.

Purpose

Recognizes that contributions and donations are not a taxable activity and are not included in the gross income of the organization.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$19.703	$20.460	$21.370	$22.387
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$18.755	$21.370	$22.387
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit entities
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007

82.04.4282(5) - Tuition and fees

Description

Nonprofit educational services may deduct income subject to the B&O tax for amounts charged for tuition fees.

Purpose

Reduces the cost of education provided by schools and colleges.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.820	$12.280	$12.820	$13.430
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$11.250	$12.820	$13.430
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit educational services
Taxpayer Count:	95
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.04.4282(6) - Trade shows

Description

Nonprofit trade or professional organizations sponsoring a trade show, convention, or educational seminar not open to the general public may take a B&O tax deduction for amounts received as fees to attend and occupy space at the sponsored event.

Purpose

Recognizes fees to attend and occupy space at a sponsored trade show, convention, or education seminar not open to the general public are not a taxable activity and are not included in the gross income of the business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.065	$0.068	$0.071	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.062	$0.071	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	Nonprofit and professional organizations
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.04.4282(7) - Private kindergartens

Description

Privately operated kindergartens may take a B&O deduction for charges made to operate the kindergarten.

Purpose

Supports privately operated kindergartens.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The deduction for kindergarten cannot be separated from the total tuition received by schools.
- This deduction is included in the B&O deduction for tuition and fees.

Data Sources

- Department of Revenue, Excise tax data
- Office of Superintendent of Public Instruction, K-12 data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Privately owned kindergartens
Taxpayer Count:	530
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.04.4282(8) - Endowment funds

Description

Businesses may deduct income received from endowment funds.

Purpose

Recognizes that income received from endowment funds is not business income.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Any amounts being claimed under this deduction are likely deductible under other statutes (e.g. donations/contributions or investment returns of non-financial businesses). There would be no revenue impact for this statute.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Organizations that receive endowment funds
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2023

82.04.4283 - Cash discounts

Description

Cash discounts are deductible from the seller's measure of B&O tax when taken by the purchaser.

Purpose

To avoid taxing sellers on income they did not receive.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$106.000	$110.200	$114.800	$119.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues. Businesses deduct cash discounts as an accounting convenience and would likely alter their method of reporting tax if the deduction were repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- A repeal of this exemption results in no revenue impact.

Data Sources

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee, Report 09-11: 2009 Full tax preference performance reviews

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Businesses offering cash discounts to purchasers
Taxpayer Count:	6,132
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.04.4284 - Bad debts

Description

Businesses may deduct bad debts from the measure of B&O tax if the tax was previously paid. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166). "Bad debts" does not include:

- Amounts due on property that remains with the seller until fully paid for.
- Debt collection expenses.
- Retail sales or use tax paid to a seller.
- Repossessed property.

Purpose

Provides equal tax treatment between businesses using accrual basis accounting and cash basis accounting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.270	$17.960	$18.710	$19.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.460	$18.710	$19.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Businesses using the accrual method of accounting and have bad debts
Taxpayer Count:	3,071
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008

82.04.4285 - Motor fuel taxes

Description

Businesses may deduct income subject to B&O tax equal to the amount of state and federal taxes included in the sales price of motor vehicle fuel. These taxes are imposed on distributors and passed on to consumers in the retail price.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.900	$10.240	$9.700	$9.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.390	$9.700	$9.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the oil price growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Motor vehicle wholesalers and retailers
Taxpayer Count:	1,849
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.04.4286 - Constitutional deductions

Description

The Washington and U.S. Constitutions prohibit the taxation of certain activities. Amounts received from these activities are deductible from gross income when computing B&O tax. This includes, but is not limited to:

- Sales of tangible personal property received by the purchaser in another state.
- Sales by businesses that do not have substantial nexus with Washington.
- Sales of tangible personal property in export commerce to foreign countries.
- Sales by Indian tribes or tribal members in Indian country.

Purpose

To avoid violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1,676.000	$1,745.000	$1,816.000	$1,892.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue would be collected if this deduction was repealed.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's, March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Washington State Gambling Commission data
- American Gaming Association, 'The Economic Impact of Tribal Gaming', September 2017
- Economic Market Study: 'Casinos, Cardrooms and Other Forms of Gambling in Washington State', Spectrum Gaming Group, September 2016

82.04.4286 - Constitutional deductions

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Businesses engaged in interstate and foreign commerce and Indian tribal enterprises
Taxpayer Count:	33,500
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4287 - Processing horticultural products

Description

Farmers may claim a B&O tax deduction for income received for washing, sorting, and packing fresh, perishable horticultural products.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.740	$6.550	$6.360	$6.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.000	$6.360	$6.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the gross value-added farm growth rate reflected in the Economic and Revenue Forecast Council's, March 2023 forecast.
- 15% of value is the cost to process horticultural products.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Agriculture, Census of agriculture and Washington annual statistical bulletins

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers who wash, sort, and pack horticultural products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2008 and 2018

82.04.4289 - Nonprofit kidney dialysis, nursing homes, and hospice

Description

Compensation received for patient care or from the sale of prescription drugs furnished as an integral part of services to patients are exempt from B&O tax for:
- Nonprofit nursing homes.
- Nonprofit kidney dialysis facilities.
- Nonprofit hospice agencies.
- Homes for unwed mothers operated by religious or charitable organizations.

Purpose

Reduces the cost of caring for patients.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.066	$5.262	$5.493	$5.749
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.207	$5.493	$5.749
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Organizations that operate these facilities and their patients
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.4290 - Mental health services

Description

Health or social welfare organizations and behavioral health administrative services organizations may deduct amounts received as compensation or for distribution for providing mental health services or substance use disorder treatment services under a government-funded program. The organization claiming the deduction must file a complete annual tax performance report with the department. This deduction expires January 1, 2032.

Purpose

To reduce taxes so more money can go directly to behavioral health services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2021
Primary Beneficiaries:	Behavioral health administrative services organizations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4291 - Services performed between local governments

Description

Local government jurisdictions may deduct amounts received from other political subdivisions as compensation for services subject to B&O tax.

Purpose

Allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact from this deduction is included under the exemption for local government business income.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Local Governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2025

82.04.4292 - Interest on real estate loans

Description

Banking, lending, security, and other financial businesses with locations in 10 states or less may deduct interest income received on investments or loans primarily secured by first mortgages or trust deeds on non-transient residential properties.

Interest amounts deductible include the portion of fees charged to borrowers, including points and loan origination fees, recognized over the life of the loan as an adjustment in the business' accounting records according to generally accepted accounting principles.

Purpose

To reduce the cost of purchasing a home.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$78.462	$81.478	$84.610	$87.862
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$74.689	$84.610	$87.862
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers combine the first mortgage deduction with other interest deductions when reporting to the department. For those financial institutions reporting deduction detail, this estimate uses a ratio to determine the amount of the deduction applicable to the first mortgage interest.
- Review of department audits shows that taxpayers who net out the first mortgage deduction generally under report by 6.25% of service and other activities income.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Federal Financial Institutions Examination Council, Call report data
- Federal Deposit Insurance Corporation, Bank data
- Home Mortgage Disclosure Act, Loan data
- Nationwide Multistate Licensing System, Mortgage broker license data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Retail banks and mortgage companies
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.4293 - Interest from state and municipal obligations

Description

Banking, lending, security, and other financial businesses may deduct interest income received from Washington obligations, its political subdivisions, and municipal corporations.

Purpose

To provide state tax treatment comparable to federal income tax treatment of state and municipal bonds and to reduce the cost of state and local government construction projects financed by bonds.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$65.150	$65.630	$65.970	$66.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$60.160	$65.970	$66.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- State and municipal obligations interest growth mirrors the state and local government receipts and expenditures growth reflected in the March 2023 S&P Global Market Intelligence forecast.
- Financial institutions report interest from state and municipal obligations to the Federal Financial Institutions Examination Council (FFIEC

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Federal Financial Institutions Examination Council, Call report data
- Federal Deposit Insurance Corporation, Bank data
- Home Mortgage Disclosure Act, Loan data
- Nationwide Multistate Licensing System, Mortgage broker license data

82.04.4293 - Interest from state and municipal obligations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Financial institutions that hold public bonds.
Taxpayer Count:	274
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2017

82.04.4294 - Interest on agricultural loans

Description

Lending institutions can deduct from the measure of B&O tax interest from loans made to:

- Farmers.
- Ranchers.
- Producers/harvesters of aquatic products.
- Cooperatives of farmers, ranchers, and producers/harvesters of aquatic products.

To qualify for the deduction, the lending institution must be:

- Exclusively owned by its borrowers or members, and
- Solely engaged in the business of making loans and providing finance-related services to:
  - Farmers.
  - Ranchers.
  - Producers/harvesters of aquatic products.
  - Cooperatives of farmers, ranchers, and producers/harvesters of aquatic products.
  - Rural residents for housing.
  - Businesses furnishing farm-related or aquatic-related services.

Purpose

To reduce the cost of loans supporting the agriculture industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.050	$4.120	$4.120	$4.150
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.770	$4.120	$4.150
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington farm production growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Federal Farm Credit Banks Funding Corporation, Annual information statement
- Farm Credit, Washington lending data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1970
Primary Beneficiaries:	Member-owned banks that make agricultural-related loans to its borrows
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.4295 - Minor final assembly completed in Washington

Description

The value of a product initially manufactured outside the state may be deducted from the gross amount reported under the manufacturing B&O tax, by manufacturers in Washington, when the following criteria are met:

- Any additional processing in Washington consists of minor final assembly.
- Minor final assembly does not exceed 2% of the sales value.
- The product is sold and shipped outside of Washington.

The amount of the deduction is equal to the value of the product prior to being brought into Washington.

Purpose

Stimulates trade and imports of products through Washington ports.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.
- Changes in federal import regulations has resulted in imported truck components no longer being assembled at Washington ports.

Data Sources

- None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1977
Primary Beneficiaries:	Manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2021

82.04.4296 - Funeral home reimbursement

Description

Licensed funeral home businesses may deduct income subject to B&O tax received as reimbursement for funeral expenses if the goods and services are:

- Provided by a person not employed, affiliated, or associated with the funeral home.
- Itemized separately in the billing statement.
- Billed at cost.

Purpose

To reduce the cost of funerals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.048	$0.050	$0.053	$0.055
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.046	$0.053	$0.055
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Funeral industry
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.04.4297 - Nonprofit organization government grants

Description

Nonprofit organizations or local government entities may take a B&O tax deduction for amounts received by health or social welfare organizations as compensation from federal, state, or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include:

- Health care.
- Family and drug counseling.
- Services for the sick, elderly, and handicapped.
- Day care.
- Vocational training and employment services.
- Legal services for the indigent.
- Services for low-income homeowners or renters.

Medicare and Medicaid receipts of nonprofit and public hospitals are also deductible.

Purpose

To provide government with greater purchasing power when government provides financial support for the provision of health or social welfare services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$561.900	$589.700	$622.100	$656.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$540.600	$622.100	$656.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxability activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Government grants account for 31.8% of the total revenue generated.

82.04.4297 - Nonprofit organization government grants

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Nonprofit Association of Washington, 2022 Nonprofit Economic Impact Report
- Nonprofit Metrics LLC, Cause IQ Nonprofits in Washington

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit organizations receiving government grants
Taxpayer Count:	41,500
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.4298 - Condominium homeowner maintenance fees

Description

Amounts collected and used by cooperative housing associations, condominium associations or residential property associations solely for repair, maintenance, replacement, management, and improvement of residential structures and commonly held property are deductible from B&O tax.

Purpose

To treat maintenance fees similarly to funds set aside by homeowners for similar maintenance and upkeep purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$21.337	$21.636	$21.939	$22.246
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.833	$21.939	$22.246
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Office of Financial Management average housing unit growth rate.
- Average condo fee is $3,480 per year per household.
- Average homeowner association (HOA) fee is $876 per year per home and the fees grow 8% annually.

Data Sources

- U.S. Census Bureau, National housing costs and American Housing Survey, 2021 data
- Office of Financial Management, Housing unit estimates 2020-2023

82.04.4298 - Condominium homeowner maintenance fees

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Cooperative housing associations, condominium associations or residential property associations.
Taxpayer Count:	10,680
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012

82.04.4311 - Medicare payments to public and nonprofit hospitals

Description

Public and nonprofit hospitals and community health centers receive a B&O tax deduction for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program under Chapter 70.47. The deduction applies whether the revenues are received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$156.800	$156.800	$156.800	$156.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$143.700	$156.800	$156.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual qualifying revenues fluctuate around $10.4 billion; therefore, no growth is forecasted during the period of this study.
- Without this preference, the revenues above would be taxed at 1.5%.

Data Sources

- Department of Health, Hospital financial data

82.04.4311 - Medicare payments to public and nonprofit hospitals

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit/public hospitals and community health centers
Taxpayer Count:	105
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.432 - Municipal sewer service payments

Description

City sewer utilities may deduct payments to other cities or other governmental agencies for interception, treatment, or disposal of sewerage from income subject to B&O tax. Revenues from sewerage collection is taxable under the state public utility tax at a rate of 3.852%.

Purpose

This deduction eliminates pyramiding of B&O and public utility tax when multiple utilities provide sewage services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.640	$2.720	$2.810	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues as long as legislation also repeals the deduction for amounts derived by a political subdivision of the state from another political subdivision. Otherwise, there would be no increase in revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.490	$2.810	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sewer public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Municipalities
Taxpayer Count:	78
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2023

82.04.4327 - Artistic and cultural organizations

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for all income from business activities, including government grants and the value of the items manufactured. These organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.990	$3.100	$3.240	$3.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.850	$3.240	$3.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxability activity growth rate reflected in the Economic and Revenue Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit artistic, cultural, or humanity organizations
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 with an upcoming review in 2024

82.04.433 - Fuel used in commercial vessels

Description

Businesses selling marine fuel to vessels primarily used in foreign commerce and waters may deduct income subject to B&O tax.

Purpose

Treats income from marine fuel sales to vessels leaving Washington the same as goods delivered out-of-state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.100	$2.910	$2.750	$2.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.670	$2.750	$2.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the oil price growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration, Petroleum data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Marine fuel businesses
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 with upcoming review in 2025

82.04.4331 - Insurance claims for state health care coverage

Description

Insurance companies may take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

Purpose

To prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurers with a deduction that was available to health care contractors and health maintenance organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues. The state now self-insures, and no commercial insurer was selected to provide the uniform health plan for state employees.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction is no longer in use.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1988
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2021

82.04.4332 - Tuition fees - foreign degree-granting institutions

Description

Approved branch campuses of foreign degree-granting institutions may deduct income from B&O taxes if exempt from federal income taxes.

Purpose

Encourage foreign institutions to locate branches in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

Data Sources

- Department of Revenue, Excise tax data
- Student Achievement Council, Authorized colleges and institutions in Washington data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Foreign degree-granting institutions
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.04.4337 - Medicaid payments to assisted living facilities

Description

Licensed assisted living facilities may deduct income received from Medicaid payments for providing residential care.

Purpose

To make the tax treatment of assisted living facilities the same as nursing homes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.268	$0.287	$0.305	$0.326
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.263	$0.305	$0.326
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities
Taxpayer Count:	109
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.4339 - Salmon habitat restoration grants

Description

Governmental grants and amounts from Indian tribes received by certain nonprofit organizations for purposes of renewing, restoring, or protecting salmon ecosystems or salmon habitats in Washington are deductible from the gross amount subject to B&O tax.

Purpose

To encourage restoration of salmon habitat.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.047	$0.048	$0.051	$0.053
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.044	$0.051	$0.053
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Nonprofit organizations restoring salmon habitat
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.43391 - Commercial aircraft loan interest and fees

Description

This preference provides a B&O tax deduction to out-of-state financial institutions when they make loans to a Washington-based commercial airlines, who use the loan to purchase commercial airplanes. The out-of-state lenders may deduct B&O tax on the interest and fees they earn from the loans they provide from the measure of tax. The deduction authorized under this section is not available to any person who is physically present in Washington.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.969	$0.969	$0.969	$0.969
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction will increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.888	$0.969	$0.969
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The carrier may purchase additional airplanes in the future; assuming new loan will be offset by retiring the old loan, loan interest earning stays relatively stable.

Data Sources

- Joint Legislative Audit and Review Commission, Tax preference review 2019

82.04.43391 - Commercial aircraft loan interest and fees

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Out-of-State financial institutions who make loans to Washington-based commercial airlines for purchasing airplanes
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2019

82.04.43392 - Dispute Resolution Services

Description

A qualified dispute resolution center may deduct amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. Services must be provided at no charge or on a sliding scale fee basis.

Nonprofit organizations may deduct amounts received from federal, state, or local governments for distribution to a qualified dispute resolution center.

Purpose

To provide relief to businesses using governmental or nonprofit funding to provide dispute resolution services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2014
Primary Beneficiaries:	Dispute resolution centers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.04.43393 - Paymaster Services for Affiliates

Description

A paymaster providing payroll and related human resources services to an affiliate may deduct from the measure of B&O tax amounts received to cover the employee costs of a qualified employee.

Employee costs include wages and salaries, workers' compensation, payroll taxes, withholding, or other assessments paid to or on the behalf of an employee.

Purpose

Ensures affiliated businesses do not incur additional tax burden when streamlining the payroll process.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.460	$1.500	$1.540	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues. However, a paymaster could restructure and deduct employee costs as advances or reimbursements (WAC 458-20-111).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.370	$1.540	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Certain paymasters would restructure and use the professional employer organization deduction (PEO) or deduct as a reimbursement (WAC 458-20-111). This estimate assumes one out of three paymasters restructure to use an alternate deduction.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Employers providing paymaster services to an affiliate
Taxpayer Count:	42
Program Inconsistency:	None evident
JLARC Review:	No review scheduled

82.04.43395(1) - Accountable communities of health

Description

Accountable Communities of Health (ACHs) may take a B&O tax deduction for Medicaid delivery system reform incentive payments and transformation project funding distributed by the Health Care Authority (HCA) through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services (CMS) approved the project in accordance with Sec. 1115(a) of the Social Security Act.

The Patient Protection and Affordable Care Act allows for CMS to approve demonstration projects giving states flexibility to design and improve their Medicaid programs. These projects intend to demonstrate and evaluate state-specific experimental policy approaches to determine whether there are alternative means to better serve Medicaid populations. Projects must be budget neutral to the Federal Government.

For the purposes of this deduction, an ACH is a regional nonprofit designated by the HCA to work together with the health care delivery system, health plans, public health, social services, community-based organizations, the justice system, schools, tribal partners, and local government leaders to improve the health equity of their communities as part of this specific demonstration project.

Purpose

To promote a more consistent tax structure, and adhere to CMS tax uniformity regulations, by allowing ACHs and qualifying hospitals to take a deduction similar to that taken by other nonprofit and public-private health care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.747	$1.747	$1.747	$1.747
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.602	$1.747	$1.747
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No annual growth, estimated payments remain constant during the forecasted period of this study.

82.04.43395(1) - Accountable communities of health

Data Sources

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2018
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026.

82.04.43395(2)(a) - Hospital incentive payments received through Medicaid quality improvement program

Description

Certain hospitals may take a B&O tax deduction from income for incentive payments received through the Medicaid quality improvement program established through federal law.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision or must be affiliated with a state institution.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.072	$5.083	$4.551	$4.596
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.660	$4.551	$4.596
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Estimated payment amounts provided Health Care Authority for the forecasted period of this study.

Data Sources

- Health Care Authority, Medicaid estimated payments
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.43395(2)(b) - Hospital delivery system reform incentive payments

Description

Certain hospitals may take a B&O tax deduction for income from Medicaid delivery system reform incentive payments and the transformation project funding distributed by the Health Care Authority through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services approved the project in accordance with Sec. 1115(a) of the Social Security Act.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision, or must be affiliated with a state institution.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

Data Sources

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2018
Primary Beneficiaries:	Health care industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.43395(3) - Managed care organization incentive payments

Description

Managed care organizations may take a B&O tax deduction for income received as incentive payments for achieving quality performance standards established through 42 C.F.R. 438.6(b)(2), as it existed on July 28, 2019.

"Managed care organization" refers to an organization authorized by the Office of the Insurance Commissioner to offer prepaid health care services to eligible clients through the Health Care Authority's Medicaid managed care programs.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.023	$0.023	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.021	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No annual growth, estimated payments remain constant during the forecasted period of this study.

Data Sources

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.43396 - Scan down allowances

Description

Sellers may take a B&O tax deduction for income received from scan-down allowances.

"Scan-down allowance" means a payment or credit offered to a seller by a manufacturer or wholesaler of products, where all the following are true:

- The amount of the payment or credit is based on the quantity of the product to be sold at retail by the seller within a specified period.
- The seller knew the terms of the offer before making the sales.
- The seller is not required to provide any services or engage in any business activities directly or indirectly benefiting the manufacturer or wholesaler.

"Product" is defined as:

- Food and food ingredients, whether or not exempt from sales tax.
- Pet food and specialty pet food.

Purpose

To resolve an issue regarding the application of B&O tax law. This also lowers taxes for grocers, grocer manufacturers, and grocer wholesalers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.440	$0.440	$0.440	$0.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.410	$0.440	$0.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to fluctuations in historical use of the deduction these estimates assume zero growth.

Data Sources

- Department of Revenue, Excise tax data

82.04.43396 - Scan down allowances

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Grocery sellers and wholesalers
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.434 - Testing and safety labs

Description

Nonprofit corporations providing public safety services and information to Washington receive a B&O tax credit for these services. The state must request the services. Qualifying nonprofit corporations must:

- Not have any direct or indirect industry affiliation.
- Not charge the state for the provided services.

Purpose

Encourages businesses providing public safety services to locate in Washington and ensure these services are available for the safety of Washington residents.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms that purchase electric power directly from Bonneville Power Administration.
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with upcoming review in 2024

82.04.436 - Manufacturing alternative jet fuel

Description

A B&O tax credit is available to those manufacturing alternative jet fuel. The credit equals $1 per gallon of alternative jet fuel having at least 50% less carbon dioxide (CO_2) equivalent emissions than conventional jet fuel and is sold by either:

- A business manufacturing alternative jet fuel located in a qualifying county with a population less than 650,000 at the time of an application to the department.
- A business's designated fuel blender located in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO_2 equivalent emissions beyond 50%, not to exceed $2 per gallon. The credit is calculated only on the portion of jet fuel that is considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

Manufacturers claiming this credit must reduce the wholesale price of alternative jet fuel by the amount of the claimed credit.

The credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

Purpose

To encourage the production of alternative jet fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.018
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because the facility manufacturing qualifying alternative fuel is not projected to begin manufacturing fuel until June 2026.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the credit becomes effective, therefore no revenue impact.

Data Sources

- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Manufacturers of alternative jet fuels
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4361 - Using alternative jet fuel

Description

A B&O tax credit is available to those using alternative jet fuel. The rules to apply for credits against B&O and PU taxes are the same; however, credits cannot be claimed against both public utility tax and B&O tax for the same fuel purchased.

The credit equals $1 per gallon of alternative jet fuel having at least 50% less CO2 equivalent emissions than conventional jet fuel that a business purchased in the prior calendar year for use in flights departing in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon. The credit is calculated only on the portion of jet fuel considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

This credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

Purpose

To encourage the production of alternative jet fuels.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because the facility producing qualifying alternative fuel is not projected to begin producing fuel until June 2026.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the credit become effective, therefore no revenue impact.

Data Sources

- Washington State University Office of National Partnerships, Sustainable Aviation Biofuels Work Group, December 2022 Final Report
- U.S. Energy Information Administration, Prices, Sales Volume and Stocks by State
- U.S. Energy Information Administration, PADD 5 Refinery and Blender Net Production
- California Air Resources Board, LCFS Pathway Certified Carbon Intensities
- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Air transportation businesses
Taxpayer Count:	34
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.440(2,3) - Multiple activities tax credit - instate

Description

Businesses engaging in multiple taxable activities in Washington with respect to a product may take a credit so tax is effectively paid for only one of the activities. For example, a business that manufactures and/or extracts and sells a product receives a credit for taxes paid on manufacturing and/or extracting activities.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$225.300	$220.300	$228.200	$235.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$202.000	$228.200	$235.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1987
Primary Beneficiaries:	Businesses conducting multiple activities in Washington
Taxpayer Count:	10,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2026

82.04.440(4) - Multiple activities tax credit - interstate

Description

Businesses may take a B&O tax credit when paying taxes more than once on the same product because they engage in multiple taxable activities within and outside of Washington. This credit is only available to businesses subject to a gross receipts tax similar to Washington's B&O tax. The credit can be up to the taxes paid to the other state.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.200	$2.200	$2.200	$2.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues, provided the in-state multiple activities credit were also repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.100	$2.200	$2.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal; therefore, amount remains the same for future periods.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1985
Primary Beneficiaries:	Businesses conducting multiple activities in Washington and in other states with a gross receipts tax
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2026

82.04.4451 - Small business credit

Description

Businesses whose B&O tax liability is below a certain threshold can claim a small business B&O tax credit against the amount of B&O tax otherwise due. The maximum monthly credit is:

- $160 for businesses reporting at least 50% of their taxable activity under the:
  - Service and other activities.
  - Gambling contests of chance.
  - For-profit hospitals.
  - Scientific research and development B&O tax classifications.
- $55 for all other businesses.

Purpose

To provide tax relief to small businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$95.000	$98.900	$102.900	$107.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$53.000	$102.900	$107.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections for monthly filers and nine months of collections for quarterly filers in fiscal year 2025. Collections for annual filers begins in fiscal year 2026.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Most of the tax impact will be to the general fund. However, there may be minimal impacts to the Workforce Education Investment, Problem Gambling, and Forest and Fish Support Accounts.
- Receipts from the timber surcharge, which funds the Fish and Forest Support account, are capped at $9 million per biennium. When this cap is reached the surcharge is suspended. This estimate assumes the cap is not met and the surcharge continues to be collected.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.4451 - Small business credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Small businesses
Taxpayer Count:	272,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.44525 - International services credit

Description

Businesses providing international services and located in an eligible geographical area may receive a B&O tax credit of up to $3,000 per year for each new job created.

An eligible geographical area is a community empowerment zone (CEZ) or a city (or a group of neighboring cities) with a population of at least 80,000 having the same characteristics as a CEZ.

Eligible international services included the following services:

- Computer.
- Legal.
- Accounting and tax preparation.
- Engineering.
- Architectural.
- Business consulting.
- Business management.
- Public relations and advertising.
- Surveying.
- Geological consulting.
- Real estate appraisal.
- Financial.

Purpose

Attracts and retains businesses creating jobs and providing services to international customers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

82.04.44525 - International services credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	International Service businesses in a CEZ or an area like a CEZ
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and full review completed in 2023

82.04.4461 - Aerospace pre-production expenditures

Description

Persons engaged in qualified aerospace product development are eligible for a B&O tax credit equal to 1.5% of qualified expenditures. Qualified expenditures include research, design, and engineering costs incurred in the development of aerospace products. Qualified expenditures exclude actual production-related costs. Commercial airplane and component manufacturers or processors for hire are eligible for the credit on expenditures incurred after December 1, 2003. Other persons are eligible for the credit on expenditures incurred after June 30, 2008. This credit expires July 1, 2040.

A person who claims this credit must file a complete annual tax performance report with the department.

Purpose

To create jobs and promote the presence of the aerospace industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$75.660	$77.960	$79.470	$81.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$71.463	$79.470	$81.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Annual tax performance report data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes or components
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

Description

Manufacturers of commercial airplanes or commercial airplane components qualify for a B&O tax credit for state and local property taxes paid on land and buildings used exclusively to manufacture commercial airplanes or components and constructed after December 1, 2003. The credit is also available for leasehold excise taxes paid on land and buildings used exclusively for the same purposes and constructed after January 1, 2006.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them.
- Increased value due to facility renovation or expansion.
- Manufacturing machinery and equipment.

Manufacturers of tooling specifically designed for use in manufacturing commercial airplanes, persons providing aerospace product development, and persons providing aerospace services qualify for a B&O tax credit for state and local property or leasehold excise taxes paid on land and buildings constructed after June 30, 2008.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them.
- Increased value due to facility renovation or expansion.
- Manufacturing machinery and equipment.
- Computer hardware, peripherals, and software.

These credits expires on July 1, 2040.

A business claiming this credit must file a complete annual tax performance report with the department.

Purpose

Encourages a new assembly plant for a super-efficient aircraft to locate in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$48.900	$50.390	$51.370	$52.830
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$46.200	$51.370	$52.830
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Annual tax performance report data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes and components
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.04.447 - Natural gas sold to direct service industry (DSI)

Description

Direct Service Industry (DSI) customers (persons who purchase electric power directly from the Bonneville Power Administration) may take a B&O tax credit for the amount of public utility tax due on purchases of natural or manufactured gas used to generate electric power consumed by the DSI customer at its own gas turbine electrical generation facility. The DSI customer may use the tax credit for 60 months following the first qualifying gas purchase and the DSI customer must maintain its existing level of employment to take the credit.

Purpose

To encourage DSI customers to continue manufacturing in Washington by constructing their own natural gas-powered turbines after their BPA power contracts expire.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2021

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

Description

Businesses may take a B&O tax credit of $3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials up to eight consecutive years if the position is kept on a consecutive annual basis. If the employee works for less than six months during a calendar year, then the credit is reduced to half or $1,500.

The credit is contingent on commencement of commercial operations by a new semiconductor materials fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This credit expires January 1, 2024, unless the contingency is met.

Purpose

To retain and attract semiconductor businesses in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur, and the contingency will not be met before the expiration of this law.

Data Sources

- Department of Revenue, Excise tax data

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses manufacturing semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and an expedited review completed in 2021

82.04.4481 - Aluminum smelter credit for property taxes paid

Description

Aluminum smelter businesses are eligible for a B&O credit equal to all qualifying property taxes paid during the calendar year. To qualify, the property must meet the following:

- Owned by a direct service industrial customer.
- Reasonably necessary for an aluminum smelter's purposes.

The B&O tax credit may be:

- Carried over and applied against B&O taxes incurred in the subsequent calendar year only.
- Taken for property taxes paid after July 1, 2004, through calendar year 2026.

The B&O tax credit is non-refundable and must be applied to B&O tax due before new credits are applied. A business claiming this B&O tax credit must file an annual tax performance report with the department.

Purpose

Provide tax relief to the state's aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

82.04.4481 - Aluminum smelter credit for property taxes paid

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.04.4482 - Aluminum smelter purchases of electricity or natural gas

Description

Businesses selling electricity, natural gas, or manufactured gas are exempt from B&O tax on sales made to an aluminum smelter when the contract requires the seller to pass the tax savings on to the buyer in the form of reduced power prices. The seller takes the exemption in the form of a tax credit.

This tax incentive applies principally to sellers of brokered natural gas because most sellers of power are subject to public utility tax and not B&O.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.04.4486 - Tax paid on carbonated beverage syrup

Description

Businesses that pay the syrup tax may claim a B&O tax credit for 100% of the syrup tax paid if the business:

- Uses the syrup to make carbonated drinks.
- Sells the carbonated drinks.

The carbonated beverage syrup tax is $1.00 per gallon. The tax applies to syrup used in producing carbonated beverages that are not trademarked.

Purpose

To provide tax relief to the restaurant industry by offsetting their syrup tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.190	$4.120	$4.050	$3.980
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.780	$4.050	$3.980
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of -1.71% based on the historical syrup B&O tax credit data.
- Taxpayers that pay carbonated beverage syrup tax have sufficient B&O tax liability to utilize the full amount of the syrup tax paid.

Data Sources

- Department of Revenue, Excise tax data

82.04.4486 - Tax paid on carbonated beverage syrup

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses preparing and selling carbonated beverages for consumption on-premises and those that manufacture non-trademarked beverages
Taxpayer Count:	1,798
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2022

82.04.4488 - Conversion to worker-owned cooperative, employee ownership trust, or employee stock ownership plan

Description

Beginning July 1, 2024, qualifying businesses that convert to employee ownership structures may apply for a B&O tax credit. The total amount of credits authorized may not exceed an annual statewide limit of $2 million.

For each business converting to an employee stock ownership plan, the credit equals up to 50% of the conversion costs, not to exceed $100,000.

For each business converting to a worker-owned cooperative or employee ownership trust, the credit equals up to 50% of conversion costs, not to exceed $25,000.

Each business may carry over unused credit to subsequent tax periods, as long it does so within 12 months of conversion.

The credit expires on July 1, 2030.

Purpose

To provide tax relief to businesses that convert to an employee ownership structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.229	$0.417	$0.435
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the credit becomes effective, therefore no revenue impact.

82.04.4488 - Conversion to worker-owned cooperative, employee ownership trust, or employee stock ownership plan

Data Sources

- Colorado Office of Economic Development and International Trade
- Economic and Revenue Forecast Council, March 2023 forecast
- National Center for Employee Ownership

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Employee-owned businesses
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4489 - Motion Picture Program contributions

Description

Businesses making contributions to the Washington motion picture competitiveness program may earn a B&O tax credit equal to 100% of the contributions, with an annual cap of $1 million for each contributor. The total statewide credit cap is $15 million a year. No credit may be earned for contributions made after June 30, 2030.

Purpose

To support the motion picture industry and encourage production of motion pictures, television programs, and commercials in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$15.000	$15.000	$15.000	$15.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$13.800	$15.000	$15.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The statewide credit cap of $15 million will be reached annually, based on historical data.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Motion picture companies
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2026

82.04.449 - Workforce training costs

Description

Businesses may use a B&O credit for half the costs of the customized workforce training paid to the State Board for Community Colleges. The credit must be used by June 30, 2026.

A business claiming this credit must file a complete annual tax performance report with the department.

Purpose

Facilitates training of new employees for new or expanding businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.085	$0.085	$0.085	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.078	$0.085	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Future credits are consistent with the average credit amount for the past five fiscal years.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Certain employers for customized training
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020 with an upcoming review in 2024.

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O or PU tax for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.
On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.340	$0.365	$0.393	$0.422
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.335	$0.393	$0.422
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.5% based on historical alternative fuel commercial vehicle tax credit taken.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing or converting vehicles to clean alternative fuels.
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O or PU taxes for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.536	$0.576	$0.619	$0.670
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.528	$0.619	$0.670
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.5% based on historical alternative fuel commercial vehicle tax credit taken.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.04.4497 - Capital gains tax paid

Description

Businesses that report B&O tax on the proceeds from a sale or exchange subject to the Washington capital gains tax may take a credit against the B&O tax.

Purpose

To avoid taxing the same sale or exchange under both the B&O and Washington capital gains taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$14.400	$16.770	$19.720	$20.350
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$20.350
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts collections in fiscal year 2027.
- Impacts first occur in fiscal year 2027 because we assume businesses wait to apply the credit for tax year 2025 capital gains until 2026.
- Growth rate for capital gains mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The percentage of taxable capital gains also subject to the B&O tax is 6.14%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Businesses in the financial sector
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4499 - Washington equitable access to credit act

Description

A credit against B&O tax is allowed for amounts contributed to the equitable access to credit program. No business may claim more than $1 million in a calendar year and the credit cannot exceed the amount of B&O tax due. Total credits claimed in any calendar year may not exceed $8 million. Unclaimed credits may be carried forward for two years.

This credit expires July 1, 2027.

Purpose

To make funds available to award grants to qualified lending institutions to provide access to credit for historically underserved communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.000	$8.000	$8.000	$8.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$8.000	$8.000	$8.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts full year of collection in fiscal year 2025.
- The annual $8 million cap is met each fiscal year.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Those contributing to the equitable access to credit program
Taxpayer Count:	Less than 50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed yet

82.04.540(2) - Professional employer organization wages

Description

A professional employer organization (PEO) may deduct the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, and similar items paid to or on behalf of certain employees who are co-employed by the PEO and a client of the PEO.

Purpose

To exclude pass-through payroll expenses from B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.570	$0.590	$0.610	$0.630
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues. However, a PEO may qualify to deduct wages, salaries, etc. as advances or reimbursements (WAC 458-20-111).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.530	$0.610	$0.630
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Certain PEOs would restructure and use the paymaster services for affiliates deduction or deduct as a reimbursement (WAC 458-20-111). This estimate assumes two out of three PEOs restructure and use an alternate deduction.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2006
Primary Beneficiaries:	Professional employment organizations
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

82.04.545 - Electricity or gas sold to silicon smelters

Description

Persons subject to B&O tax are eligible to take a credit against the tax on the gross income from sales of electricity, natural gas or manufactured gas made to a silicon smelter. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The person taking the credit must specify in the contract of sale of electricity or gas to the silicon smelter that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit. The department must provide a separate tax reporting line for the B&O tax credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- The contingency has yet to be met. The necessary investment will not occur prior to January 1, 2024.

Data Sources

- Department of Revenue, Excise tax data

82.04.545 - Electricity or gas sold to silicon smelters

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Utility companies selling electricity, and natural or manufactured gas to a silicon smelter
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.04.600 - Printing by counties, cities, school districts, and libraries

Description

Printing completed by libraries, counties, cities, towns, school districts, and educational service districts libraries is exempt from B&O tax where:
- Material printed in the jurisdiction facility.
- Printing used exclusively for jurisdiction purposes.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.085	$0.085	$0.085	$0.085
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.078	$0.085	$0.085
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth based on historical data.

Data Sources

- Institute of Museum and Library Services, Public library data
- Office of the Superintendent of Public Instruction, K-12 data
- State Auditor's Office, Municipality financial data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1979
Primary Beneficiaries:	Libraries, cities, counties, and school districts
Taxpayer Count:	730
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 with an upcoming review in 2025

82.04.601 - Cigarette stamping

Description

Compensation that wholesalers and retailers receive from the Indian tribes for affixing stamps on packages of cigarettes is exempt from B&O tax.

Purpose

Historically, cigarette wholesalers and retailers did not pay tax on such compensation. This exemption codified pre-existing practices.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth based on historical data.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Cigarette wholesalers and retailers
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.610 - Interstate commerce - import and export shipments

Description

The sale of tangible personal property in export commerce is exempt from B&O tax.

Tangible personal property is in export commerce when the seller delivers the property to the:
- Buyer in a foreign country.
- Carrier consigned to transport the property to a foreign country.
- Buyer at shipside or aboard the buyer's vehicle of transportation and it is clear the export process has started.
- Buyer who is in Washington if the property can be transported to a foreign destination under its own power, the seller files an export declaration and the buyer immediately transports the product to a foreign country (excludes motor vehicles).

The sale of tangible personal property in import commerce is not exempt from B&O tax, except for the following wholesale sales:
- Sales of unroasted coffee beans.
- Sales between a parent company and its wholly owned subsidiary.

Purpose

Codifies the department's tax policies regarding imports and exports (WAC 458-20-193C). This statute provides clarity concerning the taxation of property in the process of international shipment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$49.890	$51.520	$53.090	$54.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$34.750	$40.300	$42.830
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.610 - Interstate commerce - import and export shipments

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to the volatility found from year to year, this estimate assumes 3% growth into the future.
- Wholesalers in selected NAICS codes that have a greater chance of exporting were selected as a proxy for this analysis.
- Selected NAICS includes wholesalers of lumber products and fish or seafood.
- Census data was used to estimate the exempted importing activity.
- This estimate assumes taxpayers that can, will move their delivery destination to keep their products in the federal stream of commerce and therefore a low level of compliance is assumed.
- Compliance for export shipment income:
    - 13% revenue collections in Fiscal Year 2025.
    - 26% revenue collections in Fiscal Year 2026.
    - 39% revenue collections in Fiscal Year 2027.

Data Sources

- Department of Revenue, Excise tax data
- Employment Security department, Employment data
- Internal Revenue Service, Tax return statistics

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Businesses that ship products across Washington's boundaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.615 - Public development authorities

Description

Public corporations, commissions and authorities receive an exemption from B&O tax for income from services provided to:

- Limited liability companies in which the public entity is the managing member.
- Limited partnerships in which the public entity is the general partner.
- Single-asset entities required by a federal, state, or local housing assistance program which is directly or indirectly controlled by the public entity.

Purpose

Assists housing authorities that receive federal grants for low-income housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public development authorities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.04.620 - Prescription drug administration

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.500	$3.620	$3.740	$3.960
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.290	$3.740	$3.960
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Doctors, clinics, and their patients
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.627 - Commercial airplane parts

Description

The sale of parts to the manufacturer of a commercial airplane is deemed to take place at the site of final testing or inspection under federal aviation regulation part 21 subpart F or G. Parts sold by Washington sellers for delivery to out-of-state locales are exempt from the state B&O tax if these criteria are met.

The sale of following parts and products are not eligible for an exemption from B&O tax under this section:

- Standard parts manufactured in compliance with a government or established industry specification.
- Products produced under a technical standard order authorization or letter of technical standard order design approval pursuant to federal aviation regulation part 21, subpart O.
- Parts in which final testing or inspection under federal aviation regulation part 21, subpart F or G takes place in this state.

Purpose

To give incentives to commercial airplane manufacturers to locate and produce products in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.200	$0.210	$0.210	$0.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.190	$0.210	$0.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast

82.04.627 - Commercial airplane parts

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Manufacturers or suppliers of commercial airplane components
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Description

An eligible distributor may claim a B&O tax exemption for the gross proceeds of wholesale sales of the following products to an eligible retailer.

An "eligible distributor" means a wholesaler who purchases commercial fertilizer, agricultural crop protection products, and seed from the manufacturer and resells those products only to eligible retailers who:
- Are not affiliated persons.
- Have an ownership interest in an entity that has 50% or more ownership interest in the wholesaler.

“Affiliated persons” means persons who have any ownership interest, whether direct or indirect, in each other, or where any ownership interest, whether direct or indirect, in each of the persons by another person or by a group of other persons that are affiliated with respect to each other.

“Eligible retailer” means a person engaged in the business of making retail sales of commercial fertilizer, agricultural crop protection products, and seed that also holds at least a 5% ownership interest in an entity that holds 50% or more ownership interest in an eligible distributor.

Other distributors are not eligible for this exemption. This exemption does not have an expiration.

Purpose

The tax preference is intended to reduce structural inefficiencies in the tax structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2017
Primary Beneficiaries:	Eligible wholesaler of fertilizer and agricultural crop protection products to eligible retailers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.04.635 - Legal services to low-income persons

Description

Income received by nonprofit organizations for providing legal services to low-income persons is exempt from B&O tax. The nonprofit must primarily be engaged in the provision of legal services to low-income individuals. Nonprofits are persons exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal internal revenue code.

Purpose

Testimony on this exemption indicates funding levels had decreased and the exemption would allow nonprofits to increase their level of service with little impact to state funds in light of increasing demand for services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2009
Primary Beneficiaries:	Businesses providing legal services to low-income persons
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.04.640 - Vaccine Association assessments

Description

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

Purpose

To improve the health of children.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2010
Primary Beneficiaries:	The Association and indirectly, children of the state
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.04.645 - Financial institution affiliate income

Description

Financial institutions are exempt from B&O tax on amounts received from affiliates from arm's length transactions as required under the Federal Reserve Act (sections 23A or 23B).

Purpose

To encourage affiliate transactions by financial institutions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, not all affiliate transactions would be taxable at full market value.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Information on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B) do not appear on state excise tax returns or financial institution federal reports. The revenue impact of this bill is indeterminate.

Data Sources

- Department of Revenue, Excise tax data
- Federal Financial Institutions Examination Council, Consolidated Reports of Condition and Income

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Banks with subsidiaries and/or affiliates
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.650 - Financial institution investment conduit or securitization entity income

Description

Cash and securities received by an investment conduit of a financial institution or a securitization entity of a bank holding company are exempt from B&O tax.

Purpose

To avoid taxing the same revenue more than once and to clarify that the activities of financial institution investment conduits and bank securitization entities are not taxable.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.600	$21.300	$22.000	$22.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.500	$22.000	$22.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the 10-year treasury yield growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Assets are held for one-third of the year.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Securities Industry and Financial Markets Association, U.S. Asset Backed Securities Statistics
- Securities Industry and Financial Markets Association, U.S. Mortgage-Backed Securities Statistics
- Bureau of Economic Analysis, Financial sector contributions to gross domestic product
- Freddie Mac, Commitment rate on conventional 30-year mortgage

82.04.650 - Financial institution investment conduit or securitization entity income

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Real estate lenders and their customers
Taxpayer Count:	56
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.655 - Joint municipal utility authority

Description

Payments between or transfers of assets to or from joint municipal utility services authorities and any of its members are exempt from B&O tax.

Purpose

To reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Joint municipal utility services authorities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.660 - Environmental handling charges

Description

Environmental handling charges on the retail sale of mercury-containing lights are exempt from B&O taxes.

Purpose

To provide revenue for costs associated with the product stewardship program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Sales of mercury-containing lights are decreasing 40% annually.

Data Sources

- Department of Revenue, Excise tax data
- LightRecycle Washington, Annual reports 2015- 2020- Department of Ecology, Mercury-Containing Lights Product Stewardship Plan

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses selling mercury-containing light products
Taxpayer Count:	2,800
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.750 - Restaurant employee meals

Description

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

Purpose

To allow restaurant owners to provide free meals to their employees without incurring B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.340	$0.340	$0.342	$0.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.041	$0.044	$0.045
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the employment growth rate for the service-providing labor force reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A restaurant employee works an estimated 241 days a year.
- Of the estimated number of employee meals provided to restaurant employees, 29% are provided free of charge.
- An estimated 90% of restaurant employees will receive a free employer-provided meal.
- The average cost of a restaurant employer-provided meal is $4.50.
- A compliance rate of 13% revenue collections applies to each fiscal year of the estimate.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Bureau of Labor Statistics, May 2022 State Occupational Employment and Wage Estimates, Washington
- U.S. Bureau of Labor Statistics, Establishment data table B-2b: Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, not seasonally adjusted
- U.S. Bureau of Labor Statistics, Food from home in U.S. city average, all urban consumers, chained, not seasonally adjusted

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	20,144
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.755 - Nonprofit litter reduction grant income

Description

Grants received by local governments and nonprofit organizations from the waste reduction, recycling, and litter control account are exempt from B&O tax.

Purpose

To promote local and statewide education programs designed to help the public with litter control, waste reduction, recycling, and composting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Grant amounts remain constant, therefore no growth.

Data Sources

- Department of Ecology, Waste Reduction & Recycling Education 2022-2023 Program Guidelines

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Local government entities and nonprofits
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.04.756 - Cannabis grown or cannabis products manufactured by a cooperative

Description

The B&O tax does not apply to a cooperative's activities with respect to growing cannabis, or manufacturing cannabis concentrates, useable cannabis, or cannabis-infused products.

Purpose

Cooperatives are intended to provide small amounts of medical cannabis to members and may not sell products to members or others. There is no intent to tax this activity.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is indeterminate because the number of future cooperatives and their activities are unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Cooperative medical cannabis growers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full reviewed completed in 2021

82.04.758 - Custom farm and farm management services

Description

Providers of custom farming services and farm management services are exempt from B&O tax if the provider performing the services is the owner or lessor of the land or related to the owner or lessor.

Purpose

To provide tax relief to persons performing custom farm services for their relatives.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.053	$0.055	$0.058	$0.061
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.051	$0.058	$0.061
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2022
Primary Beneficiaries:	Persons providing custom farm services for their relatives
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015, and full review completed in 2018 prior to the old statute expiring

82.04.759 - Newspapers - eligible digital content

Description

A B&O exemption is available for amounts received from any of the following activities:

- Printing and/or publishing newspapers.
- Publishing of "eligible digital content" by printers and/or publishers who reported under the printing and publishing tax classification in 2008.

"Newspaper" means:

- A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper.
- An electronic version of a printed newspaper that:
    - Shares content with the printed newspaper.
    - Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

"Eligible digital content" is a publication:

- Published at regularly stated intervals of at least once a month.
- Featuring written content, the largest category of which, as determined by word count, contains material that identifies the author or the original source of the material.
- Made available to readers exclusively in an electronic format.

Purpose

To support local newspapers and online digital news publishers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.390	$1.350	$1.340	$1.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.240	$1.340	$1.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the newspaper production growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax return data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Newspaper printers and publishers and publishers of eligible digital content
Taxpayer Count:	110
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.765 - Architectural paint assessment

Description

The purchase price of new paint includes a paint stewardship fee. This fee funds the operation of the architectural paint stewardship program (70A.515 RCW) and is exempt from B&O tax.

Purpose

To reduce the cost to businesses required to collect and remit the paint stewardship program fee.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.041	$0.041	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.038	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- PaintCare projects flat growth for future revenues.

Data Sources

- Department of Revenue, Excise tax data
- Paintcare, 2022 Annual Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Sellers of architectural paint
Taxpayer Count:	1,100
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.767 - Qualifying Grants – National emergency or state of emergency

Description

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from B&O tax.

Purpose

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues during a national or state of emergency.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The revenue impact of this bill is indeterminate. Future emergency situations and the provision of government-funded assistance to taxpayers is unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Recipients of government-funded grants or debt relief during a national emergency or state of emergency
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.770 - Plastic bags - retail establishments

Description

Pass-through charges on recycled content paper carryout bags and reusable carryout bags made of film plastic provided by retail establishments are exempt from B&O tax.

Purpose

To encourage shoppers to bring their own reusable carryout bags to reduce waste, litter, marine pollution, conserve resources, and protect fish and wildlife.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.220	$0.220	$0.340	$0.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.210	$0.340	$0.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington population growth rate reflected in the Office of Financial Management's April 2022 forecast.
- Until December 31, 2025, a retail establishment must collect a pass-through charge of eight cents for every compliant carryout bag.
- Beginning January 1, 2026, a retail establishment must collect a pass-through charge of 12 cents for reusable carryout bags.
- A retail establishment must keep all revenue from pass-through charges. The pass-through charge is a taxable retail sale.
- The plastic bag ban effects all jurisdictions in Washington.
- Every year Washingtonians use two billion single-use plastic bags.
- Washington bag ban reduced plastic bag consumption by 71.5%.

Data Sources

- Office of Financial Management, April 2022 population forecast
- U.S. Census 2021 National Population Projections Datasets
- Department of Ecology, State of Washington
- Conservation Law Foundation

82.04.770 - Plastic bags - retail establishments

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2020
Primary Beneficiaries:	Retailers
Taxpayer Count:	65,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.775 - Carbon credits

Description

State law imposes a low-carbon fuel standard to reduce levels of air pollutants and greenhouse gas emissions. The Department of Ecology manages the clean fuel standards (Clean Fuels Program) to reduce the carbon intensity of transportation fuels in Washington. The Clean Fuels Program allows for the generation and trading of credits, each representing one metric ton of carbon dioxide emissions.

Income businesses receive from the generation, purchase, sale, transfer, or retirement of carbon credits under the Clean Fuels Program is exempt from B&O tax.

Purpose

To provide tax relief to businesses that trade carbon credits under the Clean Fuels Program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues, however, the impact indeterminate at this time.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Registration for the program began January 1, 2023. Fuel transactions for Quarter 1 of 2023 were reported as late as July 31, 2023. The infancy of the program and lack of data prohibits a reasonable or accurate estimate at this time.

Data Sources

Department of Ecology, Clean fuel standard data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Businesses that trade carbon credits under the Clean Fuel Standard program
Taxpayer Count:	316
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.777 - Environmental management of used batteries

Description

Under the battery stewardship program, battery stewardship organizations must start collecting covered batteries and battery-containing products by July 1, 2027. Each battery producer pays a fee to a battery stewardship organization to support these activities. These fees are exempt from the B&O tax.

Purpose

To provide tax relief to battery stewardship organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the exemption becomes effective, therefore no revenue impact.

Data Sources

- US Bureau of Economic Analysis, Personal Consumption Expenditures, 2021
- Call2Recyle, Data
- Department of Ecology, Data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Battery producers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.32.045(5)(a) - Minimum to file excise tax return

Description

A business is not required to file an excise tax return with the department if the business:

- Has gross income subject to B&O tax of less than $125,000 per year.
- Has gross income subject to PU tax of less than $24,000 per year.
- Is not required to collect or pay sales tax to the department.
- Is not required to collect or pay any other tax or fee to the department.

Purpose

To reduce administrative costs for taxpayers and the department.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. The small business credit offsets the B&O tax liability that results from a repeal.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The tax savings from this exemption are included under the impacts of the small business credit (RCW 82.04.4451).

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Small businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2023

82.32.055 - Active duty military penalty waiver

Description

Business owners who are on active duty in the military qualify for a waiver of interest and penalties for delinquent excise taxes if the interest and penalties are imposed:

- During a period of armed conflict.
- On a qualifying military member assigned to a location outside of the U.S.

Purpose

Provides economic relief to businesses owned by qualifying active-duty members of the military.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Business owners that are active duty military
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.32.531 - Trade convention attendance/nexus

Description

If a business has a physical presence in Washington, they must register with the department and report and pay any B&O, sales, and use taxes due. Attending one trade convention per calendar year does not create a physical presence unless the business makes retail sales at the trade convention.

A trade convention is an exhibition for a specific industry or profession that is not marketed to the general public.

Purpose

To encourage participation in Washington trade conventions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Due to the highly specific criteria and broad range of taxpayers it may apply to, the revenue impact of this estimate is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2016
Primary Beneficiaries:	Out of state businesses that attend one trade show per year
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Description

A B&O tax credit is available for each new employment position created by a business located in a rural county engaged in the following activities:

- Manufacturing.
- Computer-related programming and services performed by a manufacturer.
- Research and development.
- Commercial testing laboratories.

A rural county has an average population density of fewer than 100 persons per square mile or is smaller than 225 square miles.

The credit is equal to:

- $2,000 for each new qualified employment position with wages and benefits below $40,000.
- $4,000 for each new qualified employment position with wages and benefits above $40,000.

The total statewide credit cap is $7.5 million per fiscal year.

Purpose

Encourages businesses to expand in rural counties.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.170	$0.130	$0.100	$0.070
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.120	$0.100	$0.070
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate determined from historical trend of credit amount due to declining credit usage.
- Estimate of future revenue impacts are based on credits used rather than credits approved.

Data Sources

- Department of Revenue, Excise tax data

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Businesses located in rural counties engaged in qualifying activities
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and 2023

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or PU tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure.
- Limited to $60 per employee per year.
- Limited to $100,000 each fiscal year.

The program has an annual cap of $2.75 million for both B&O and PU tax credits, and currently expires July 1, 2024. No person may claim tax credits after June 30, 2024.

Purpose

To encourage employers to provide financial incentives to employees for carpooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.500	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues. The credit expires July 1, 2024.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The credit expires July 1, 2024; a repeal would result in no revenue impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and 2022

82.73.030 - Commercial area revitalization contributions (main street program)

Description

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial B&O or PU tax credit.

The credit is either 75% of the approved contributions made to a Main Street Program or to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more at the time of designation.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.120	$4.120	$4.120	$4.120
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.780	$4.120	$4.120
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The estimate of future revenue impacts is based on credits used rather than credits approved.
- The credit cap of $5 million will be met.
- The proportion of the credit claimed against B&O and PU tax remains constant.

Data Sources

- Department of Revenue, Excise tax data

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses participating in commercial area revitalization.
Taxpayer Count:	436
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026