WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 1

DEDICATED TAX AS A PERCENT OF TOTAL TAX COLLECTIONS

1997/Dollars in $Millions

State	Total Collections	Total Dedicated	Percent Dedicated	Rank
Alabama	$5,116.1	$4,460.5	87.2%	1
Nevada	2,178.4	1,404.0	64.5%	2
Tennessee	6,517.8	3,934.2	60.4%	3
Michigan	19,322.9	10,529.8	54.5%	4
Utah	3,108.0	1,684.1	54.2%	5
Montana	1,085.7	552.6	50.9%	6
New Jersey	13,008.2	6,207.4	47.7%	7
Wyoming	640.3	300.6	46.9%	8
Massachusetts	12,864.5	5,391.9	41.9%	9
New Mexico	3,542.9	1,170.3	33.0%	10
Arizona	6,783.0	2,088.6	30.8%	11
Illinois	16,882.7	5,078.7	30.1%	12
Mississippi	3,742.1	1,107.1	29.6%	13
Indiana	8,535.0	2,425.7	28.4%	14
Washington	10,482.3	2,743.7	26.2%	15
South Dakota	631.0	155.5	24.6%	16
Oklahoma	5,266.4	1,263.7	24.0%	17
Missouri	7,784.8	1,860.0	23.9%	18
North Dakota	845.3	201.7	23.9%	18
Virginia	9,116.9	2,134.5	23.4%	20
West Virginia	2,970.8	632.5	21.3%	21
Florida	19,637.3	4,105.4	20.9%	22
Ohio	16,181.4	3,217.8	19.9%	23
Idaho	1,964.2	388.0	19.8%	24
Maryland	8,216.0	1,498.9	18.2%	25
South Carolina	5,233.4	937.5	17.9%	26
Arkansas	3,917.7	643.4	16.4%	27
Oregon	4,452.1	729.4	16.4%	27
Nebraska	2,548.2	410.4	16.1%	29
Kansas	4,035.2	630.9	15.6%	30
North Carolina	12,177.6	1,852.0	15.2%	31
Vermont	822.8	122.3	14.9%	32
Kentucky	6,310.1	880.8	14.0%	33
Texas	21,187.9	2,857.4	13.5%	34
Iowa	5,205.0	672.4	12.9%	35
New Hampshire	944.5	120.2	12.7%	36
Colorado	5,076.3	612.9	12.1%	37
Louisiana	5,492.7	657.5	12.0%	38
Minnesota	10,730.6	1,287.5	12.0%	38
Maine	1,948.7	231.6	11.9%	40
New York	32,061.3	3,489.9	10.9%	41
Hawaii	3,096.0	329.7	10.6%	42
California	53,264.7	5,450.4	10.2%	43
Pennsylvania	18,168.6	1,506.0	8.3%	44
Delaware	1,758.8	138.1	7.9%	45
Wisconsin	9,627.8	762.6	7.9%	45
Rhode Island	1,588.0	123.6	7.8%	47
Connecticut	8,104.4	570.1	7.0%	48
Georgia	10,483.5	592.7	5.7%	49
Alaska	1,438.8	69.3	4.8%	50
Total	$416,098.7	$90,215.8	21.7%	

Source: Dedicated State Tax Revenues, Budget and Fiscal Research Services, Inc., June 2000

WASHINGTON STATE TAX STRUCTURE STUDY

DEDICATED TAX AS A PERCENT OF TOTAL TAX COLLECTIONS
Excludes Highway User Taxes/1997/$Millions

State	Adjusted Tax Collections/a	Adjusted Dedicated/a	Adj. Pct. Dedicated	Adjusted Rank	Adjusted Rank /b
Alabama	$4,642.1	$3,995.4	86.1%	1	1
Nevada	1,991.9	1,217.5	61.1%	2	2
Tennessee	5,809.7	3,230.4	55.6%	3	3
Michigan	17,898.0	9,105.4	50.9%	4	4
Utah	2,873.4	1,449.5	50.4%	5	5
New Jersey	12,545.2	5,927.4	47.2%	6	7
Wyoming	586.2	246.6	42.1%	7	8
Montana	915.3	382.1	41.7%	8	6
Massachusetts	12,261.7	4,789.1	39.1%	9	9
New Mexico	3,274.8	904.3	27.6%	10	10
Illinois	15,619.8	3,852.8	24.7%	11	12
Indiana	7,867.9	1,758.6	22.4%	12	14
Mississippi	3,286.4	683.3	20.8%	13	13
Arizona	5,613.2	1,086.4	19.4%	14	11
Washington	9,039.8	1,720.1	19.0%	15	15
Florida	18,179.5	3,156.4	17.4%	16	22
Missouri	7,157.8	1,233.0	17.2%	17	18
Oklahoma	4,188.4	632.6	15.1%	18	17
Virginia	7,991.5	1,010.8	12.6%	19	20
North Dakota	734.7	91.9	12.5%	20	18
Idaho	1,761.8	193.2	11.0%	21	24
South Carolina	4,829.2	533.3	11.0%	21	26
New York	31,438.6	3,024.8	9.6%	23	41
West Virginia	2,574.8	236.5	9.2%	24	21
Ohio	14,204.1	1,240.5	8.7%	25	23
Arkansas	3,564.1	300.1	8.4%	26	27
Kansas	3,717.3	313.0	8.4%	26	30
Nebraska	2,295.1	157.4	6.9%	28	29
Iowa	4,807.3	290.1	6.0%	29	35
North Carolina	10,772.9	617.4	5.7%	30	31
Maryland	7,103.1	386.1	5.4%	31	25
California	50,399.6	2,585.3	5.1%	32	43
South Dakota	498.4	22.8	4.6%	33	16
Maine	1,800.8	83.7	4.6%	33	40
Hawaii	2,896.6	130.3	4.5%	35	42
Oregon	3,866.2	143.5	3.7%	36	27
Colorado	4,611.7	148.3	3.2%	37	37
Rhode Island	1,468.4	45.9	3.1%	38	47
Minnesota	9,704.5	261.4	2.7%	39	38
Texas	18,744.2	492.0	2.6%	40	34
Alaska	1,403.5	34.0	2.4%	41	50
Louisiana	4,919.6	119.6	2.4%	41	38
Pennsylvania	17,064.8	402.2	2.4%	41	44
Vermont	717.7	17.2	2.4%	41	32
Delaware	1,651.2	30.5	1.8%	45	45
Kentucky	5,499.5	70.1	1.3%	46	33
New Hampshire	833.5	9.2	1.1%	47	36
Wisconsin	8,933.6	68.4	0.8%	48	45
Connecticut	7,556.2	21.9	0.3%	49	48
Georgia	9,901.9	11.1	0.1%	50	49
Total	$382,017.5	$58,463.4	15.3%		

Source: Dedicated State Tax Revenues, Budget and Fiscal Research Services, Inc., June 2000

/a Amounts exclude motor fuel and highway use-related tax receipts.
/b Rank based on total tax collections and dedications before adjustments.
/c Derivation excludes Alabama, which is treated as an outlier.

WASHINGTON STATE TAX STRUCTURE STUDY

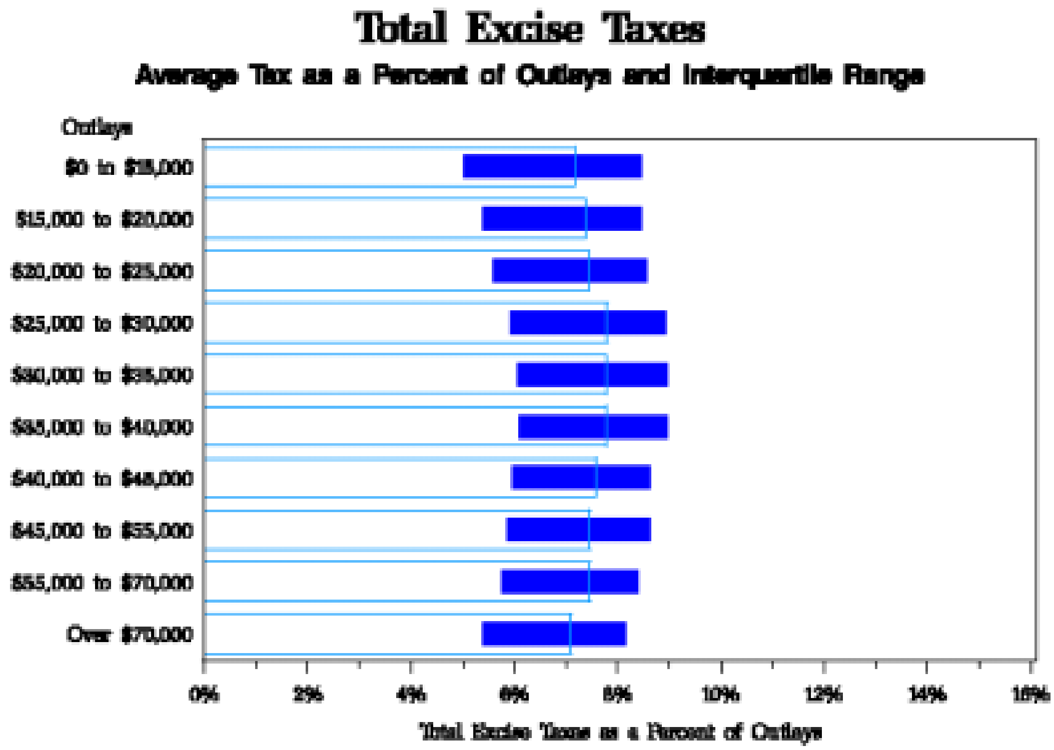
PERCENTAGE OF TAX COLLECTIONS DEDICATED

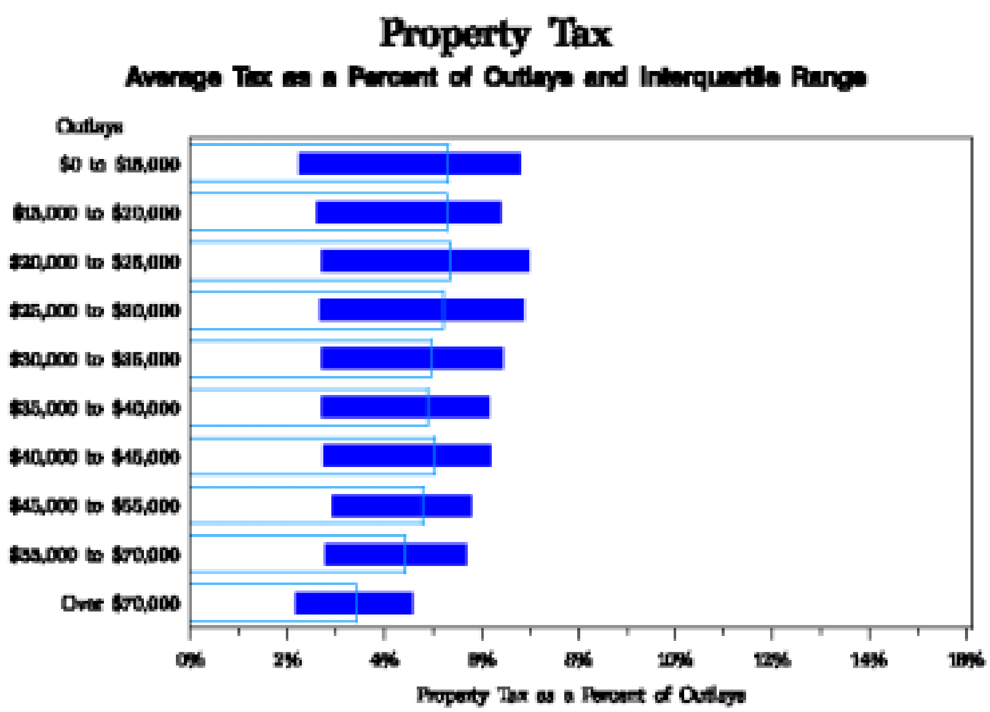
State	1954	1963	1979	1984	1988	1993	1997
Alabama	89%	87%	88%	89%	89%	87%	87%
Alaska	/a	6	1	2	9	8	5
Arizona	47	51	31	29	32	30	31
Arkansas	41	36	21	18	17	13	16
California	42	28	12	13	12	19	10
Colorado	75	51	17	25	18	20	12
Connecticut	26	23	0	1	12	10	7
Delaware	0	3	0	5	7	6	8
Florida	40	39	28	28	26	28	21
Georgia	29	22	11	9	8	6	6
Hawaii	/a	7	5	5	6	5	11
Idaho	51	44	38	32	25	21	20
Illinois	39	43	14	18	21	32	30
Indiana	49	39	43	33	30	26	28
Iowa	51	44	19	13	21	22	13
Kansas	77	66	29	25	21	25	16
Kentucky	46	29	/a	16	/a	4	14
Louisiana	85	87	5	4	9	15	12
Maine	46	39	19	20	17	12	12
Maryland	47	40	34	24	20	17	18
Massachusetts	56	54	41	40	/a	39	42
Michigan	67	57	38	39	35	39	55
Minnesota	73	74	12	13	14	16	12
Mississippi	40	37	/a	30	26	26	30
Missouri	57	40	20	29	30	27	24
Montana	61	53	55	60	65	64	51
Nebraska	55	53	41	29	22	21	16
Nevada	55	35	34	52	49	57	65
New Hampshire	53	54	31	24	24	14	13
New Jersey	7	2	25	39	36	39	48
New Mexico	80	31	36	44	47	40	33
New York	13	10	0	6	/a	8	11
North Carolina	38	30	20	8	14	19	15
North Dakota	73	43	29	21	22	22	24
Ohio	48	48	21	18	19	17	20
Oklahoma	62	59	/a	43	24	21	24
Oregon	47	36	23	19	23	21	16
Pennsylvania	41	63	15	15	14	11	8
Rhode	6	4	0	1	5	5	8
South	69	62	56	55	44	17	18
South	59	54	33	32	27	47	25
Tennessee	72	77	60	61	66	60	60
Texas	81	66	54	20	24	21	14
Utah	71	62	52	48	/a	55	54
Vermont	42	39	23	23	12	13	15
Virginia	39	32	27	24	25	25	23
Washington	35	30	29	26	29	30	26
West Virginia	57	39	21	21	20	19	21
Wisconsin	63	61	/a	12	12	9	8
Wyoming	61	64	54	69	/a	17	47
Average	51%	41%	23%	21%	24%	24%	22%

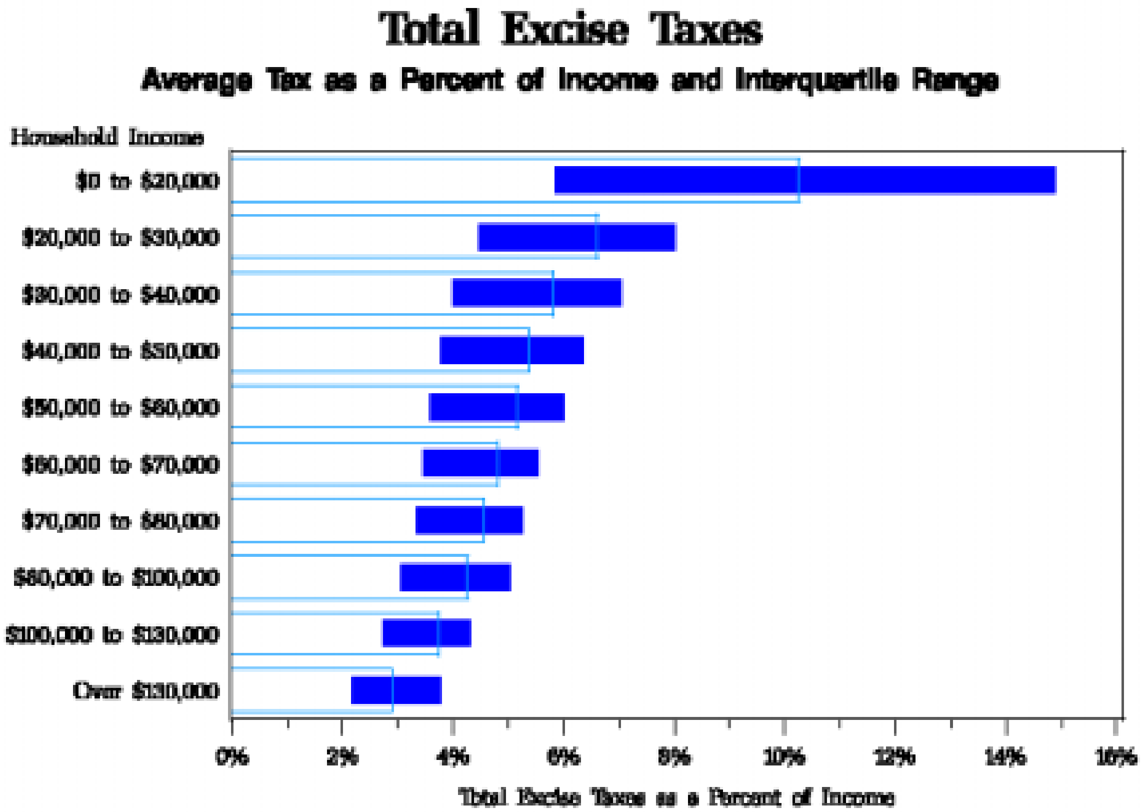
Source: Dedicated State Tax Revenues, Budget and Fiscal Research Services, Inc., June 2000
/a Not available.
1954, 1963: *Earmarked State Taxes*, Tax Foundation.
1979: March 19, 1980 Memo, Montana Office of the Legislative Fiscal Analyst.
1984, 1988, 1993: *Earmarking State Taxes*, National Conference of State Legislatures.

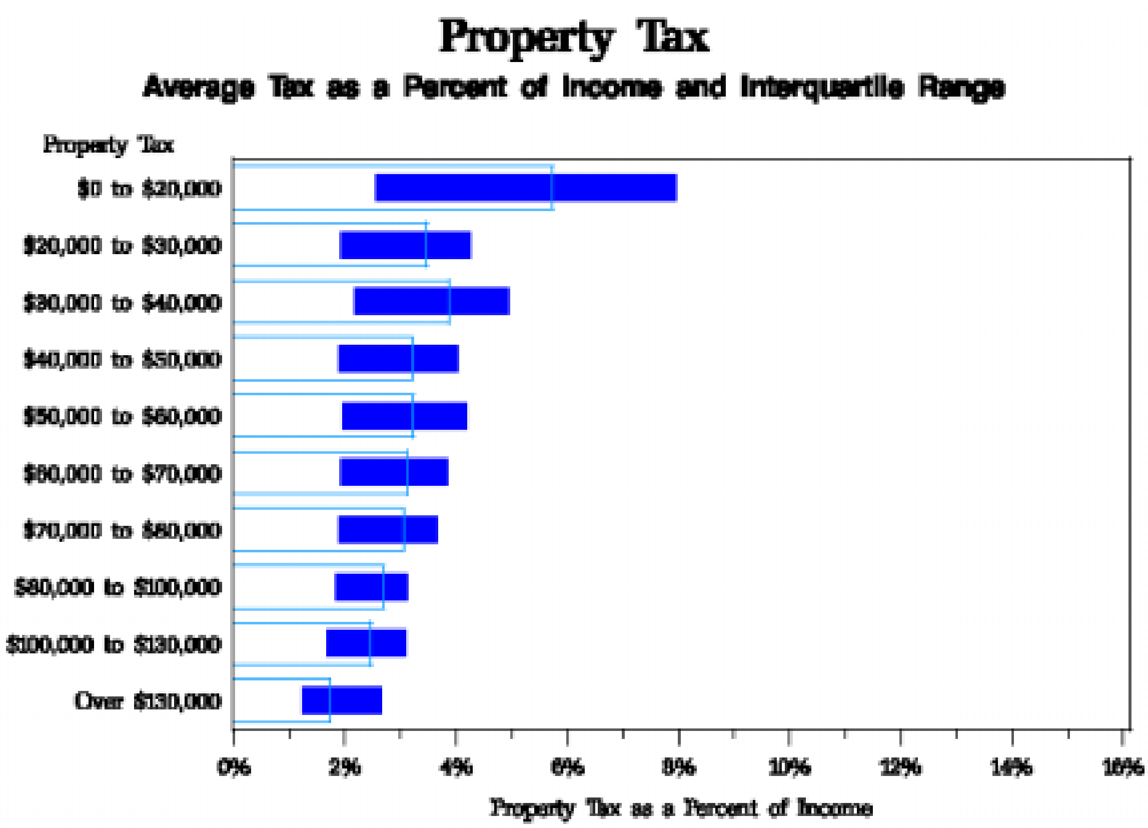
APPENDIX 2
TAX VARIATION BY HOUSEHOLD INCOME AND SPENDING LEVELS

In the following four charts, the average tax interquartiles are graphed as a percent of outlays (spending) by households and household income. One can infer that sales tax has the most variation by comparing the interquartile range for all excise taxes with the inter-quartile range for property tax. There is more variation in all excise taxes. Sales tax is the only excise tax that is large enough to affect variation for individuals.






Total Excise Taxes
Average Tax as a Percent of Income and Interquartile Range
Household Income
$0 to $20,000
$20,000 to $30,000
$30,000 to $40,000
$40,000 to $50,000
$50,000 to $60,000
$60,000 to $70,000
$70,000 to $80,000
$80,000 to $100,000
$100,000 to $130,000
Over $130,000
0%
2%
4%
6%
8%
10%
12%
14%
16%
Total Excise Taxes as a Percent of Income


Property Tax
Average Tax as a Percent of Income and Interquartile Range
Property Tax
$0 to $20,000
$20,000 to $30,000
$30,000 to $40,000
$40,000 to $50,000
$50,000 to $60,000
$60,000 to $70,000
$70,000 to $80,000
$80,000 to $100,000
$100,000 to $130,000
Over $130,000
0%
2%
4%
6%
8%
10%
12%
14%
16%
Property Tax as a Percent of Income

APPENDIX 3
SIMILAR ITEMS OR ACTIVITIES TAXED DIFFERENTLY

The following details describe the previous examples of situations where similar items or activities are taxed differently.

Excise Tax Examples

Activity	B&O Tax Application	B&O Tax Rate (%)	Sales/Use/ Other Tax?
1.			
Movie rental	Retail	0.471	Sales tax
Movie ticket	Service	1.5	Exempt
2.			
Motor transportation (inter-city)	PUT	1.9	N/A
Urban transportation (within city limits)	PUT	0.6	N/A
3.			
Natural gas purchased from out-of-state supplier	N/A	N/A	Brokered Natural Gas tax
Electricity purchased from out-of-state supplier	N/A	N/A	Exempt
4.			
Food purchased from a restaurant	Retail	0.471	Sales tax
Food purchased from a grocery store	Retail	0.471	Exempt
Food purchased from a vending machine	Retail	0.471	57% taxable, 43% exempt
5.			
Wireless phone service	Retail	0.471	Sales tax
Non-residential phone service (e.g. business, government…)	Retail	0.471	Sales tax
Local residential phone service	Retail	0.471	Exempt
Long distance residential phone service	Retail	0.471	Sales tax
Coin-operated phone service	Retail	0.471	Exempt
6.			
Oil transported into WA via ships	N/A	N/A	Oil Spill tax
Oil transported into WA via pipelines	N/A	N/A	Exempt

Excise Tax examples

1. Movie rentals are retail sales. Movie rental businesses must collect and remit retail sales tax from persons who rent movies.
Movie theaters are service businesses. Movie tickets are not retail sales and are not subject to retail sales tax.

2. The motor transportation business consists of operating any motor propelled vehicle for the purpose of conveying persons or property for hire.
The urban transportation business consists of operating any motor propelled vehicle for the purpose of conveying persons or property for hire, except that the business must operate

entirely within the corporate limits of any city or town, or within five miles of the corporate limits.
The same company is often engaged in both business activities and must determine its taxability on a trip-by-trip basis.

3. Natural gas purchased from an out-of-state supplier and brought into the state via one's own pipelines is subject to the Brokered Natural Gas tax (a tax similar in structure to the use tax).
Electricity purchased from an out-of-state supplier and brought into the state via one's own wires is not subject to any form of use tax.

4. Food purchased from a restaurant or sold for immediate consumption is subject to the retail sales tax.
Food purchased from a grocery store is not subject to retail sales tax. However, food prepared "on-site" at a grocery store by a person with a food handler's permit (salads, sandwiches) is subject to sales tax.
A specified percentage of food purchased from a vending machine is subject to the retail sales tax (57% taxable, 43% exempt). This percentage calculation is only applied to vending machines that sell only food. Vending machines that sell entirely taxable items (hot coffee, sodas) are subject to the full retail sales tax.

5. Cellular phone service is a retail service and subject to retail sales tax.
Non-residential phone service (to businesses and government) is also a retail service and subject to sales tax.
Local residential phone service is a retail service but is exempt from retail sales tax.
Long distance residential phone service, however, is subject to sales tax.
Coin-operated phone service is also exempt from sales tax.

6. Oil and petroleum products brought into Washington via ships are subject to the Oil Spill tax on a per barrel basis.
Oil and petroleum products brought into Washington via pipelines are exempt from the Oil Spill tax.

Property Tax Examples

Description	Property Tax Application
1.	
Real property owned by private parties	Generally taxable
Real property owned by governments	Exempt
Real property leased by governments	Generally taxable
2.	
Improvements to commercial property	Taxable
Improvements to single family dwellings	Exempt for 3 years
Improvements to historic property	Exempt for 10 years
3.	
Non-profit medical clinic	Taxable
Non-profit hospital	Exempt
4.	
Personal property used in business owned by a business	Generally taxable
Personal property used in farming owned by a farmer	Local property tax only
Personal property used in household owned by individuals	Exempt
5.	
Commercial watercraft	State property tax only
Recreational watercraft	Exempt, subject to licensing requirements and Watercraft excise tax
6.	
Motor vehicles for off-road use	Taxable
Motor vehicles for highway use	Exempt
7.	
Property owned by private electricity companies	Taxable
Property owned by public utility districts	Exempt, subject to Privilege Tax
Property owned by municipal electric utilities	Exempt
8.	
Property owned by individuals over 61 YoA or disabled individuals with less than $30,000 income	Exempt from excess levies
Property owned by individuals under 61 YoA or disabled individuals with less than $30,000 income	Taxable

Property Tax examples

1. Real property owned by individuals or businesses is generally subject to the property tax, unless a specific exemption applies (such as the senior citizen exemption).
Real property owned by the federal, state or local government is exempt from property tax.
Real property leased by governments is generally taxable.

2. Improvements to commercial property are subject to the property tax.
Improvements to single family dwellings are exempt from the property tax for three years.
Improvements to historic property are exempt from the property tax for ten years.

3. Nonprofit hospitals may qualify for a property tax exemption on real and personal property.
No exemption is available for nonprofit medical clinics.

4. Personal property used in business owned by a business is generally subject to the property tax. A lawn mower used to mow the grass of a golf course is subject to tax.

Personal property used in farming owned by a farmer is only subject to local property taxes. A mower used in a turf farm is subject to local property taxes only.
Personal property used in a household owned by an individual is exempt. A lawn mower used for domestic purposes is exempt.

5. Commercial watercraft are subject to the state portion of the property tax.
Recreational watercraft are exempt from the property tax but are subject to the Watercraft excise tax.

6. Motor vehicles for off-road use are subject to the property tax.
Motor vehicles for highway use are exempt from the property tax. These vehicles used to be subject to the Motor Vehicle Excise Tax (MVET), an in-lieu of property tax. Now that the MVET has been repealed, motor vehicles are only subject to smaller state fees. (The legislature repealed the local MVET this year.)

7. Property owned by privately owned electricity companies is taxable.
Property owned by public utility districts is exempt from property tax and subject to Privilege Tax.
Property owned by municipal electric utilities is exempt from property tax.

8. Property owned by senior citizens or disabled persons with less than $30,000 of household income is exempt from excess levies and may be exempt from regular levies. Senior citizens are persons at least 61 years of age.
Property owned by persons under 61 years of age or disabled but above the income limits is subject to the property tax.

WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 4
EFFECTIVE TAX RATES BY SIZE OF FIRM FOR CALENDAR 2000

AVERAGE SALES TAX RATES

SIC	LESS THAN $5,000,000	$5,000,000 TO $25,000,000	GREATER THAN $25,000,000
AG/ FORESTRY/ MINING - SICS 1-14	0.17%	0.57%	1.74%
CONSTRUCTION - SICS 15-17	0.45%	1.07%	1.27%
MANUF NONDURABLE - SICS 20-23, 26-31	0.41%	1.60%	1.10%
MANUF DURABLE - SICS 24,25, 32-39	0.36%	1.10%	1.21%
TRANS/ COMM/ UTILITIES - SICS 40-49, 90's	0.17%	1.83%	1.05%
WHOLESALE - SICS 50-51	0.22%	0.18%	0.15%
RETAIL - SICS 52 - 59	0.35%	0.16%	0.11%
FINANCE/ INSURANCE/ REAL ESTATE - SICS 60-67	0.23%	0.30%	0.21%
SERVICES - SICS 70-79	0.41%	0.85%	0.81%
PROFESSIONAL SERVICES - SICS 80-89	0.30%	0.53%	0.60%

AVERAGE B&O/PUB UTILITY TAX RATES

SIC	LESS THAN $5,000,000	$5,000,000 TO $25,000,000	GREATER THAN $25,000,000
AG/ FORESTRY/ MINING - SICS 1-14	0.32%	0.55%	0.55%
CONSTRUCTION - SICS 15-17	0.42%	0.48%	0.48%
MANUF NONDURABLE - SICS 20-23, 26-31	0.41%	0.44%	0.42%
MANUF DURABLE - SICS 24,25, 32-39	0.42%	0.48%	0.48%
TRANS/ COMM/ UTILITIES - SICS 40-49, 90's	0.93%	1.21%	1.28%
WHOLESALE - SICS 50-51	0.44%	0.46%	0.44%
RETAIL - SICS 52 - 59	0.41%	0.46%	0.48%
FINANCE/ INSURANCE/ REAL ESTATE - SICS 60-67	0.63%	1.11%	0.93%
SERVICES - SICS 70-79	0.72%	0.81%	0.74%
PROFESSIONAL SERVICES - SICS 80-89	0.92%	1.21%	1.12%

AVERAGE PROPERTY TAX RATES

SIC	LESS THAN $5,000,000	$5,000,000 TO $25,000,000	GREATER THAN $25,000,000
AG/ FORESTRY/ MINING - SICS 1-14	0.58%	0.18%	0.06%
CONSTRUCTION - SICS 15-17	0.69%	0.08%	0.06%
MANUF NONDURABLE - SICS 20-23, 26-31	0.66%	0.07%	0.06%
MANUF DURABLE - SICS 24,25, 32-39	0.67%	0.08%	0.06%
TRANS/ COMM/ UTILITIES - SICS 40-49, 90's	0.50%	0.30%	0.19%
WHOLESALE - SICS 50-51	0.35%	0.02%	0.01%
RETAIL - SICS 52 - 59	1.15%	0.06%	0.04%
FINANCE/ INSURANCE/ REAL ESTATE - SICS 60-67	0.41%	0.14%	0.08%
SERVICES - SICS 70-79	0.98%	0.17%	0.09%
PROFESSIONAL SERVICES - SICS 80-89	0.53%	0.14%	0.10%

WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 5
EFFECTIVE TAX RATES BY NEW AND ESTABLISHED FIRMS FOR CAL 2000

AVERAGE SALES TAX RATES

SIC	NEW FIRM	ESTABLISHED FIRM
AG/ FORESTRY/ MINING - SICS 1-14	0.32%	0.15%
CONSTRUCTION - SICS 15-17	0.43%	0.46%
MANUF NONDURABLE - SICS 20-23, 26-31	0.40%	0.45%
MANUF DURABLE - SICS 24,25, 32-39	0.37%	0.38%
TRANS/ COMM/ UTILITIES - SICS 40-49, 90's	0.17%	0.18%
WHOLESALE - SICS 50-51	0.18%	0.22%
RETAIL - SICS 52 - 59	0.43%	0.31%
FINANCE/ INSURANCE/ REAL ESTATE - SICS 60-67	0.24%	0.23%
SERVICES - SICS 70-79	0.40%	0.41%
PROFESSIONAL SERVICES - SICS 80-89	0.35%	0.29%

AVERAGE B&O/PUBLIC UTILITY TAX RATES

SIC	NEW FIRM	ESTABLISHED FIRM
AG/ FORESTRY/ MINING - SICS 1-14	0.52%	0.28%
CONSTRUCTION - SICS 15-17	0.44%	0.41%
MANUF NONDURABLE - SICS 20-23, 26-31	0.42%	0.41%
MANUF DURABLE - SICS 24,25, 32-39	0.46%	0.42%
TRANS/ COMM/ UTILITIES - SICS 40-49, 90's	0.86%	0.96%
WHOLESALE - SICS 50-51	0.37%	0.45%
RETAIL - SICS 52 - 59	0.47%	0.39%
FINANCE/ INSURANCE/ REAL ESTATE - SICS 60-67	0.67%	0.63%
SERVICES - SICS 70-79	0.79%	0.69%
PROFESSIONAL SERVICES - SICS 80-89	1.01%	0.90%

AVERAGE PROPERTY TAX RATES

SIC	NEW FIRM	ESTABLISHED FIRM
AG/ FORESTRY/ MINING - SICS 1-14	1.36%	0.43%
CONSTRUCTION - SICS 15-17	1.04%	0.55%
MANUF NONDURABLE - SICS 20-23, 26-31	1.17%	0.45%
MANUF DURABLE - SICS 24,25, 32-39	1.24%	0.48%
TRANS/ COMM/ UTILITIES - SICS 40-49, 90's	0.75%	0.41%
WHOLESALE - SICS 50-51	0.53%	0.26%
RETAIL - SICS 52 - 59	1.98%	0.86%
FINANCE/ INSURANCE/ REAL ESTATE - SICS 60-67	0.67%	0.34%
SERVICES - SICS 70-79	1.48%	0.79%
PROFESSIONAL SERVICES - SICS 80-89	1.08%	0.40%

WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 6
ILLUSTRATION OF PROPERTY TAX SHIFTS

To illustrate how property tax shifts occur it is important to understand how property tax levies are established. The relevant points to remember are the following.

- Regular levies imposed by the various taxing districts and the special levies approved by voters establish the annual dollar amount of taxes to be collected for the district from the total of all taxable property within the district's boundary. They do not directly establish tax rates.
- Similarly, the growth limit for regular levies (1% without approval by the voters) establishes the annual dollar amount of tax to be collected for the district.
- Once the total amount of regular or special levy to be collected for each district is determined, the property tax rate necessary to raise these amounts is calculated, based on the amount of taxable property.
- To raise a given amount of property tax, a district with less taxable property must use a higher tax rate than a district with more taxable property.
- If the amount of taxable property in a district is reduced because of the granting of exemptions, property tax rates on the remaining taxable property must be increased to generate the amount of property taxes to be collected for the district.
- When the assessed value of taxable property in a district grows at a rate faster than the increase in the total dollar amount of the levy to be collected, the levy rate for the levy will decrease.
- With a yearly regular levy growth limit of 1% (without voter approval), regular levy rates will experience a steady decrease throughout the state.
- There are no limitations on the property tax rates necessary to collect voter approved special levies.
- The Legislature has established maximum regular levy rates for each type of taxing district that cannot be exceeded under any circumstances.
- If a district is not able to increase its regular levy rate on the remaining taxable property to a level high enough to compensate for the loss of value due to exemptions (because it would require a rate in excess of the maximum rate allowed), the district will experience a reduction in revenue. The incidence of actual regular levy revenue losses due to exemptions is small and should get smaller as the 1% limit is in place for a longer period of time.

The following tables illustrate how the granting of property tax exemptions shifts (increases) the property tax burden to the remaining taxable property. The example used is the regular property tax levy for county government. The maximum statutory regular levy rate for a county is $1.80 per $1,000 of assessed value. The assumptions used in the tables are as follows.

Year 1
- The assessed value of all taxable property in the county is $500 million.
- There are five kinds of property in the county: industrial, commercial, low-income residential, middle-income residential, and high-income residential.
- The allowable amount of regular levy revenue that can be collected is $500,000.
- The regular levy rate necessary to generate $500,000 is $1.00 per $1,000 of assessed value.

Year 2

- Industrial property has been exempted by the Legislature.
- The assessed value of all of the remaining property is the same as in Year 1.
- The allowable amount of regular levy that can be collected is $505,000 (a 1% increase from Year 1).
- The regular levy rate necessary to generate $505,000 is $1.26 per $1,000 of assessed value.

The tables indicate the amount and percent of total taxable value for each type of property in each of the years, the amount of tax paid, and a comparison of the amount of tax paid.

REGULAR LEVIES FOR COUNTY A - YEAR 1 ($000)

Type of Property	Assessed Value	Tax Due*
Industrial	$100,000	$100
Commercial	100,000	100
Low-income residential	75,000	75
Middle-income residential	125,000	125
High-income residential	100,000	100
Total	$500,000	$500

***** rate of $1 per $1,000 of assessed value

REGULAR LEVIES FOR COUNTY A - YEAR 2 ($000)

Type of Property	Assessed Value	Tax Due**
Industrial	$0	$0
Commercial	100,000	126
Low-income residential	75,000	95
Middle-income residential	125,000	158
High-income residential	100,000	126
Total	$400,000	$505

** rate of $1.26 per $1,000 of assessed value

COMPARISON OF TAXES DUE FOR COUNTY A ($000)

Type of Property	Year 1	Year 2	% Difference
Industrial	$100	$0	-100.0
Commercial	100	126	26.0
Low-income residential	75	95	26.0
Middle-income residential	125	158	26.0
High-income residential	100	126	26.0
Total	$500	$505	1.0

As the tables indicate, removal of 20% of the tax base required tax rates to be increased by 25% to raise the same amount of revenue ($500,000). Tax rates increased an additional 1% to generate the allowable 1% growth in regular levy income, bringing the total increase in rates to 26% for the remaining taxable property. Because the $1.26 was well below the statutory maximum of $1.80, there is no loss of revenue to County A due to the exemption of industrial property. All of the regular levy benefit to industrial property owners ($100,000) is paid for by increased taxes on the remaining taxable property.

WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 7
SIGNIFICANT ACTIVITIES NOT SUBJECT TO TAXATION

The following is a short discussion of the major sectors of Washington's economy that are not subject to taxation, either as a tax policy choice made by the Legislature or the voters, or because of state constitutional prohibitions.

Income of Individuals

An initiative approved by the voters in 1932 (70% yes vote) provided for a statutory personal and corporate net income tax with rates graduated from 1% to 7%. The Washington State Supreme Court in a 5 to 4 decision in 1933 declared the statute to be unconstitutional on the grounds that income is property because the 14th Amendment states that property includes "everything, whether tangible or intangible, subject to ownership …." Article VII, Section 1, of the constitution requires that "all taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax …."

Consequently, any income tax to be constitutional must be uniform in its application. The effective tax rate (tax as a percent of income) must be the same for all persons subject to the tax. A graduated income tax is obviously not uniform because the effective rates are different for different income classes. To the extent that a proposed income tax contains personal exemptions and deductions, they must be the same for all persons in order to have the effective rate be uniform.

In order for a non-uniform income tax to be imposed Article VII must be amended. Proposed amendments to the constitution must emanate from the Legislature (approved by two-thirds vote in each House) and be approved by the voters (majority).

Rental of Real Property

The 1959 Legislature enacted a law that imposed the B&O tax (rate 0.25%) on the gross income of any person, exceeding $300 per month, derived from the business of renting or leasing real estate. The law was immediately challenged and declared unconstitutional by the Washington State Supreme Court in 1960.

The Court ruled that the tax on rental income is a tax on property, not an excise tax. Furthermore, it said that it was a tax upon the real estate itself, as is, thus, a second tax upon real estate (the other being the property tax itself). The Court also noted that there is no (B&O tax) levied on unrented real estate. Because of the exclusion of gross income of under $300 and it being a second tax on real property, the B&O tax on rental income failed to meet the uniformity requirements of Article VII.

Consequently, an amendment to Article VII would be required to impose a B&O tax on the gross income from the rental or lease of real property.

Agricultural Production

Income from growing or producing any agricultural or horticultural crop, animals, birds, fish, poultry, eggs, fur, etc. is exempt from the B&O tax if the products are sold at wholesale. The exemption does not extend to agricultural products manufactured by producers or to retail sales of agricultural products by producers.

The exemption for agricultural products is solely a legislative policy choice. It has been in law since the B&O tax was created in 1935. It was presumably enacted to aid an industry that was severely depressed in 1935. The exemption recognized low profit margins that prevailed in this industry, high transportation costs, and the fact that as a group farmers have little or no ability to affect the prices received for their products and were therefore unable to pass the cost of the tax on to their customers.

Investment Income of Nonfinancial Business

The B&O tax applies to the gross receipts derived from various business activities, including income from investments. Prior to legislation enacted in the 2002 session there was a specific deduction allowed for "amounts derived by persons, other than those engaging in banking, loan, security, or other financial businesses, from investments or the use of money as such …." None of the key terms were defined in statute.

In 1976 the Washington State Supreme Court established the principle that for the B&O tax to apply to investment income the business's primary purpose and objective must be to earn income through the handling and investment of a significant amount of funds. The case involved a construction company, health care providers, a brewer, and others, each of which earned income through investing excess funds in instruments such as time certificates, commercial paper, stocks, bonds, real estate notes, mortgages, etc. The Court decided that these businesses were not engaging in banking, loan or security activities, nor were they "other financial businesses" within the meaning of the statute. The Court's reasoning was that earning income from investments was not their primary purpose or objective, and the amounts earned represented a very small portion of their gross receipts.

The principle established in 1976 remains in place. It is a statutory, not a constitutional, matter and could be changed by the Legislature. Legislation enacted in the 2002 session did not change this principle. The 2002 bill narrowed coverage of current law and clarified its application. The law now clearly states that income derived from the following activities are not deductible for purposes of the B&O tax: amounts received from loans or the extending of credit and amounts received by a banking, lending, or security business. Also not taxed is income from loans between subsidiary entities and a parent entity or between subsidiaries of a common parent if such income is less than 5% of the gross receipts of the business. The terms "banking business," "lending business," and "security business" are defined. The previously used and confusing term "other financial business" is no longer part of the statute.

Food for Home Consumption

Passed by initiative in 1977 (54% yes vote), food for home consumption is exempt from state and local sales taxes. The exemption does not extend to the B&O tax. The exemption covers groceries and other unprepared food products. It does not cover items such as carbonated beverages, dietary supplements, seeds for growing plants, or any food handled on the vendor's premises which by law requires the vendor to have a food and beverage service worker's permit (prepared sandwiches, pizzas, cooked chicken, deli trays, salad bars, etc.).

This exemption lessens the regressivity of the sales tax (i.e., provides proportionately greater relief for low-income persons) and reduces the cost of essential items for household consumption. The exemption was temporarily removed in 1982 for fourteen months (May 1982 - June 1983). Twenty-eight states, including Washington, have sales tax exemptions for food.

WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 8
WHICH TAXES ARE THE MOST FAIR?

Following is a summary of the major findings of taxpayer surveys conducted in four states, Minnesota, Georgia, Colorado and Tennessee. Each state asked citizens a wide variety of questions, not all related to taxation. The summary for each state centers on those questions that are most closely related to the issue of tax fairness and the characteristics of the tax system and individual tax sources that were mentioned as reasons for considering a tax as being fair or not fair. The relevant questions are either quoted or paraphrased and a summary of the answers is given.

<u>Minnesota</u>

The survey was prepared for the Minnesota Department of Revenue by Anderson, Niebuhr & Associates and published in August 2001. Taxes included in the survey included the state income tax, the state sales tax, and local property taxes.

Q: Compared to most other states, do you believe that, <u>overall</u>, Minnesota taxpayers pay much more, more, about the same, or less state and local tax?

A: Nearly one-quarter (27%) believe they pay much more tax and nearly half (47%) feel they pay more tax than taxpayers in other states.

Q: How satisfied are you with the overall tax system in Minnesota?

A: Taxpayers were most satisfied with fairness based on ability to pay (39% very satisfied/ satisfied). However 30% are dissatisfied or very dissatisfied with this aspect of the overall tax system. Taxpayers were most dissatisfied with the amount of taxes paid overall (45% dissatisfied/very dissatisfied). As age increases, so does their satisfaction with the amount of taxes they pay overall.

Q: How satisfied are you with the Minnesota income tax, local property taxes, and sales tax in terms of: understandability, fairness based on ability to pay, fairness based on the extent to which taxpayers are treated equally, predictability from year to year, the cost or time needed to comply, and the amount of tax paid?

A: Income Tax. Nearly six in ten (58%) were very satisfied or satisfied with the cost or time needed to comply. Over half (53%) were very satisfied or satisfied with the predictability of the income tax from year to year. Taxpayers were most dissatisfied with the amount of income taxes paid (47% dissatisfied/very dissatisfied) and fairness based on the extent to which all taxpayers are treated equally (39% dissatisfied/very dissatisfied).

A: Local Property Taxes. Over half (54%) were very satisfied or satisfied with their understanding of what property taxes pay for. More than four in ten (43%) were very satisfied or satisfied with the predictability of their property taxes from year to year. Taxpayers are most dissatisfied with the amount of property taxes paid (47% dissatisfied/very dissatisfied).

A: Minnesota Sales Tax. Nearly two-thirds (64%) were very satisfied or satisfied with the fairness of the sales tax based on the extent to which all taxpayers are treated equally. Approximately six in ten (59%) are very satisfied or satisfied with their understanding of what is taxed under the sales tax and its fairness based on their ability to pay. Taxpayers are the most dissatisfied with the amount of sales tax paid (33% dissatisfied/very dissatisfied).

Q: How satisfied are you with the amount of taxes paid?
A: Taxpayers were most satisfied with the sales tax (45% very satisfied/satisfied) followed by the income tax (32%), local property tax (31%), and the overall amount of taxes paid (27%).

Q: How satisfied are you with fairness of taxes based on ability to pay?
A: Taxpayers were most satisfied with the sales tax (59% very satisfied/satisfied), followed by the income tax (46%), the overall tax system (39%) and local property taxes (38%).

Q: How satisfied are you with fairness based on the extent to which taxpayers are treated fairly?
A: Taxpayers are most satisfied with the fairness of the sales tax (64% very satisfied/satisfied), followed by local property taxes (34%), the overall tax system (32%) and the income tax (31%).

Q: How satisfied are you with the predictability of taxes from year to year?
A: Taxpayers were most satisfied with the predictability of the income tax (53% very satisfied/satisfied), followed by local property taxes (43%).

Q: How satisfied are you with the understandability of taxes?
A: Residents were most satisfied with their understanding of the sales tax (60% very satisfied/satisfied), followed by the income tax (44%), and local property taxes (38%).

Q: How important are these tax issues to you (taxpayers treated equally, attractiveness/ competitive for business, understandability, taxes based on ability to pay, raising funds for services, responsible for raising taxes for services, predictability of amount, and raising funds equally from three tax types)?
A: The issues that were most important were making sure that taxpayers are treated equally (86% essential/very important), followed by making Minnesota an attractive and competitive place for business (85%), and making sure the tax system is simple and easy to understand (83%). Taxpayers were least concerned about making sure the tax system raises revenue equally from income, sales, and property (49% essential/very important).

<u>Colorado</u>

The survey was conducted for the Colorado Commission on Taxation by Ciruli Associates based on a telephone survey of 902 adult residents of Colorado. The survey took place from July 30 to August 9, 2001.

Q: Among the following taxes, which, if any, are you most likely to support an increase for?
A: Topping the list of those taxes chosen was the sales tax (32%), followed by the gas tax (11%), property tax (8%), motor vehicle tax (6%), and income tax (4%). Some 37% indicated "none" and 2% said "I don't know" or refused to answer.

Q: What tax would you most like to be lowered?
A: The top vote getter was the income tax (38%), followed by the property tax (29%), gas tax (17%), sales tax (8%), and motor vehicle tax (4%).

Q: Do you consider the amount of state income tax you have to pay as too high, about right or too low?
A: The majority of people though the amount was about right (58%), followed by 34% who thought the amount was too high.

Q: Do you consider the state income tax which you have to pay this year as fair?
A: Answering yes were 62%, followed by 31% who said no, and 6% who either don't pay income tax or did not know/refused to answer.

Q: Do you consider the amount of state sales tax you have to pay as too high, about right or too low?
A: Answering too high were 42%, about right 53%, with 2% too low and 3% didn't know/ refused to answer.

Q: Do you regard the state sales tax which you have to pay this year as fair?
A: Saying yes were 60%, 36% said no, and 4% said they didn't know/refused to answer.

Q: Do you believe the percentage of income tax that people pay on their income should be higher for taxpayers with higher income or the same percentage for all taxpayers?
A: Some 47% said higher, 51% said the same and 2% said they didn't know/refused to answer.

Q: At the present time, business and commercial property in Colorado pays three times the taxes as that of a private residence having the same value. Is this a good idea or not a good idea?
A: People responding that it was a good idea were 37%, while 51% said it was not a good idea. Twelve percent (12%) didn't know or refused to answer.

Q: Currently, property is taxed differently depending on its use. Agricultural property is taxed less, commercial property more, and residential property taxed in the middle. Is taxing land differently on its use fair or not fair?
A: Persons responding that it is fair totaled 69%, while 22% said it was not fair. Nine percent (9%) did not know or refused to answer.

Tennessee

Middle Tennessee State University conducts an annual telephone poll. This one was conducted February 18 through March 1, 2002 by college students. They interviewed 742 people age 18 or older chosen at random.

Q: In general, would you strongly favor, favor, oppose, or strongly oppose establishing a state personal income tax, or aren't you sure?
A: Only about one in four residents (23%) expressed support for an income tax. A clear majority (58%) expressed opposition, and a notable 19% say they aren't sure or don't know.

Q: Would you favor enactment of an income tax if it meant ending the sales tax on groceries and lowering the sales tax on other items?
A: The proportion of supporters rises to 46%, and the proportion of opponents slides to 38%. The remaining 16% express uncertainty. Majority support comes from those in the 18 to 34 age bracket and opposition outweighs support among older Tennesseans, especially those with no minor children living at home.

Q: Would you favor enactment of an income tax if the proceeds were to be used for education?
A: Fifty-two percent (52%) of state residents indicated support. Opposition holds at 39%, and the proportion of those expressing uncertainty drops to 9%. Strongest support comes from college-educated individuals, especially those aged 18 to 34, particularly those who are female, and weakest support comes from less-educated persons.

Q: If there is to be an income tax should it charge everyone the same amount per dollar of income or charge wealthier people more per dollar of income than poorer people?
A: A flat income tax is the preference of 59% of the people. Only 36% would opt for a graduated income tax that would charge wealthier people more per dollar of income. Preference for a flat income tax is consistent across all income levels and varied little across most other demographic groups.

Georgia

The Georgia State Poll was a telephone survey of adults 18 and over who live in Georgia. It was conducted by the Applied Research Center of Georgia State University. Residents (782) were randomly selected and interviewed from January 18 - February 20, 2001 on a variety of public policy issues.

Q: Which of the following Georgia taxes do you think is the most fair? Choices were the state personal income tax, state corporate income tax, sales tax, property tax, and gas tax.
A: The sales tax was selected by substantially more respondents than were any other of the other taxes. Nearly 47% selected the sales tax, while the personal income tax was selected by 20.6%, followed by the property tax (12.5%), corporate income tax (10.5%), and the gas tax (9.6%). These results are consistent with national surveys conducted several years ago by the Advisory

Commission on Intergovernmental Relations. The percentage choosing the sales tax as the most fair increased with family income, while the percentage choosing the property declined with family income. The percentage selecting the personal income tax was highest for those with the middle income group ($25,000 to $49,999) and was smallest for the highest income group ($55,000 or more).

Q: In your opinion, are the state and local taxes that the poor pay in Georgia much too high, too high, about right, too low, or much too low?
A: "Much too high" or "too high" was selected by 65% of the respondents. Only 7.2% said that the taxes on the poor were "too low" or "much too low." In general, respondents with lower family income were more likely to state that the taxes on the poor are high (69.6%) than respondents with higher income (52%). There was essentially no differences by age or by housing tenure.

Q: Would you support reducing state taxes on any of the following groups even if it meant increasing taxes on everyone else? The group for which the largest percentage of the respondents said they would support a reduction was the "elderly" (66.3%). The "poor" received the second highest percentage (59.3%), followed by "families with children" (53.2%). Tax reductions for the "rich" received the support of 22.4% and only about 4% suported a tax reduction for all the groups. Between 24% and 33% said they would support a tax reduction for businesses. A higher percentage (48.3%) said they would support a tax reduction for "farmers."

Q: On a scale of 1 to 5, with 1 being Strongly Agree, please indicate how strongly you agree or disagree with each of the following statements: "The state should not collect sales tax when an item like a book is purchased over the Internet," and "Someone who buys a book over the Internet should pay the same sales tax as someone who buys the book from a local store."
A: More than 49 percent (49.9%) agreed with the first statement, while 55.4% agreed with the second statement. It would appear that there are substantial differences of opinion regarding the proper taxation of sales made over the Internet. Of the respondents who agreed with the first statement, 46.8% also agreed with the second.

Q: Respondents were asked to indicate on the same 1 to 5 scale, with 1 being Strongly Agree and 5 being Strongly Disagree, how strongly they agreed or disagreed with the following statements.

1. Property taxes should be based on the price a homeowner originally paid for the home rather than the current market price, even if that means property taxes on similar homes could be different.
2. It would be fair for the state government to give part of its state sales tax revenue to poorer municipal and county governments.
3. The state government should increase the state sales tax from the current 4% rate to 7% in order to eliminate all property taxes.
4. The federal government should replace the current personal income tax with a system in which everyone pays the same rate, i.e., a flat tax.

A: Statement 1. Fifty percent (50%) agreed with statement 1, while 32.9% disagreed. Among owners, 48.2% agreed, while 53.9% of renters did. The level of support is much lower than the percentage of voters who voted in favor of such a change in various counties in Georgia.

Statement 2. Fifty-five percent (55%) agreed and 20.6% disagreed.

Statement 3. Fifty-three percent (53.4%) agreed and 39.5% disagreed. This result reinforces that respondents think the sales tax is the most fair tax.

Statement 4. Fifty-three percent (53.2%) agreed and 34.4% disagreed. Respondents are supportive of eliminating or at least reducing the progressivity of the income tax.

WASHINGTON STATE TAX STRUCTURE STUDY

APPENDIX 9
STATE COMPARISON OF ENVIRONMENTAL TAXES

<u>Washington's Enviromental Taxes</u>

Petroleum Products Tax
The petroleum products tax is imposed on the privilege of possessing petroleum products in the state. The measure of the tax is the wholesale value of the products. The revenues are dedicated to the Pollution Control Liability Trust Account and fund insurance related to leakage from underground storage tanks. This tax is temporarily in abeyance, the trigger amount in the account having reached its maximum.

Oil Spill Tax
The oil spill tax actually encompasses two separate but related taxes: the oil spill response tax and the oil spill administration tax. The oil spill response tax and the oil spill administration tax are both imposed on the privilege of receiving crude oil or petroleum products at a marine terminal within this state from a waterborne vessel or barge operating in the navigable waters of the state. Revenues from both taxes are dedicated to fund oil spill response programs and oil spill clean-up.

Hazardous Substance Tax
The hazardous substance tax (HST) is a privilege tax imposed on the first possession of certain “hazardous” items within the state. The measure of the tax is the wholesale value of the hazardous substance. Hazardous substances include petroleum products and certain chemicals found on the federal CERCLA and FIFRA lists. The CERCLA lists currently contain about 15,000 items classified as hazardous. The collected revenues are deposited into two accounts administered by the Department of Ecology for state and local hazardous waste management projects.

Solid Waste Collection Tax
Washington imposes a tax on persons who use the services of a solid waste collection business. This tax is similar in structure to the retail sales tax, in that the tax is imposed on the purchaser of the service. The measure of the tax is the consideration charged for the solid waste collection services. The tax revenues are deposited into the public works assistance account and are used by local governments for public works projects.

Litter Tax
Washington imposes a litter tax similar to the taxes imposed by several states. The litter tax base is the gross income from the sale of a list of targeted items deemed most likely to contribute to the litter problem in the state, such as food products, paper products, and beverages. The measure of the tax is the gross amount of income generated by the targeted products through manufacturing, wholesaling, and retailing. Litter tax revenues are used by the Department of Ecology for youth litter patrol programs and for public education programs relating to litter control and recycling.

Wood Stove Fee
Washington imposes an additional environmental tax that is not covered in the chart. Vendors of wood stoves collect a fee of $30 on each sale of a wood stove in Washington. The revenues are deposited into the Wood Stove Education and Enforcement Account used by the Department of Ecology to educate consumers about the effects of wood stove smoke on air quality.

Major State Environmental Taxes

As of 2001, forty states imposed one or more taxes specifically designed to generate revenue from activities that are perceived to be potentially harmful to the environment. The following list describes eight major categories of environmental taxes currently collected by state governments. These taxes include the following:

Hazardous Waste Taxes (HWT)
Twenty-six states impose either a tax or a fee on the ownership, transport, disposal or storage of hazardous waste. The amounts and types of the fees and taxes vary greatly, from annual licensing fees to tonnage fees.

Washington does not impose a tax on the transport, disposal or storage of hazardous waste at the state level. There may be fees imposed by local governments or private operators of disposal sites on the disposal of hazardous waste in Washington.

Petroleum Products Taxes (Oil)
Sixteen states impose taxes and fees on persons who transport oil products, persons who store or refine oil products, or persons who own or operate underground storage tanks. Most fees are imposed on a per gallon, or per barrel, basis. Many fees are only imposed on the first possession of petroleum products in the state.

Washington imposes a petroleum products tax and an oil spill tax similar to those imposed in many states.

Underground Storage Tanks (UST)
Thirteen states impose fees on owners or operators of underground storage tanks. These types of fees vary, although the most common form is an annual registration fee for existing tanks.

Washington does not impose a tax on underground storage tanks. Washington's petroleum products tax was enacted in 1989 in response to the federal regulations on underground storage tanks. As a result, the petroleum products tax is Washington's version of the UST taxes imposed by other states.

Nuclear Facility and Waste Fees (Nuclear)
This category of fees is particularly broad, although only used by nine states. These fees are imposed on both owners and operators of nuclear power facilities and on persons who transport

or store nuclear materials. Most of these fees are structured as annual licensing or regulatory fees imposed by various state agencies such as Health, Licensing, and Environmental Quality.

Although Washington imposes the public utility tax on nuclear power plants and the B&O tax on persons who clean up radioactive waste, these taxes are in the form of regular business taxes on electricity generation and environmental clean-up. Washington does not impose any of the taxes described above which are specific to nuclear facilities and waste and are regulatory in nature.

Sewerage Taxes (Sewer)
Although many states (including Washington) impose general business taxes on the business of collecting and discharging sewage into public sewer systems, this category describes a more specific sewerage fee imposed on particular industries or business sectors. Of the four states that employ these taxes, most are administered as annual licensing or registration fees. Washington does not impose a separate licensing fee on the sewerage industry.

Solid Waste Fees (Waste)
This category describes fees imposed on owners and operators of solid waste disposal facilities and user fees for disposal facilities. Only three states impose these types of fees, and they range from annual collection fees to tonnage fees and regular business taxes on waste disposal services.

Washington's solid waste collection tax does not correspond with this type of fee imposed by other states. The solid waste collection tax in Washington is imposed on the consumer of solid waste collection services rather than on the operators of solid waste disposal facilities. There may be additional solid waste disposal fees charged by local governments or private disposal businesses in Washington.

Litter Taxes (Litter)
Used in eight states, litter taxes are generally imposed on sales of certain items that contribute to litter. Many of these taxes are imposed on all sellers of these products. Some of the more commonly taxed items include food products, beverages, cigarettes, and disposable containers.

Washington's litter tax is very similar to these taxes.

Vehicle Tire Taxes (Tires)
Vehicle tire fees are generally imposed on a per tire basis on the retail purchaser of new motor vehicle tires. These fees are generally intended to be a disposal fee paid in advance. They are employed in 26 states.

Washington first imposed a tire tax of $1 per new tire in 1989. This tax expired in 1994.

Environmental Taxes by State

State	HWT	Oil	UST	Nuclear	Sewer	Waste	Litter	Tires
Alabama	X		X					
Alaska			X					
Arizona	X		X		X			X
Arkansas		X		X				X
California	X	X						X
Colorado	X				X			X
Connecticut	X							X
Delaware								
Florida	X	X		X	X		X	X
Georgia	X	X						X
Hawaii		X						X
Idaho	X	X						
Illinois	X	X	X	X				X
Indiana	X		X					X
Iowa								
Kansas	X	X		X		X		X
Kentucky	X							X
Louisiana	X	X	X	X				
Maine	X							X
Maryland			X					X
Massachusetts								
Michigan		X	X					
Minnesota	X					X		
Mississippi	X	X	X	X				X
Missouri	X				X			X
Montana								
Nebraska							X	X
Nevada								
New Hampshire								
New Jersey						X	X	
New Mexico			X					
New York								
North Carolina								X
North Dakota								
Ohio	X						X	X
Oklahoma	X	X						X
Oregon								
Pennsylvania	X		X	X				
Rhode Island		X					X	X
South Carolina	X	X						X
South Dakota	X							
Tennessee	X	X					X	X
Texas	X		X	X				X
Utah			X					X
Vermont								
Virginia							X	X
Washington		X					X	X (exp.)
West Virginia	X							
Wisconsin	X			X				
Wyoming								

Source: Antolin, Moll, and Judson, 1690 T.M., *State Environmental Taxes*