

**Estimated REVENUE Impact of Revenue Alternatives**  
**November 2014 Forecast**  
(\$ millions)

Please note that estimates provided do not reflect a policy position by the Department and are intended solely to assist you in exploring options under development.

Prepared by Research & Fiscal Analysis, December 2014

State General Fund Impact<sup>1</sup> (unless otherwise noted)

#	Description of Alternative	# of Impacted Taxpayers	FY 2016 <sup>2</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<b>RETAIL SALES/USE TAX - Rate Increase</b>								
1a	State rate from 6.5% to 6.6%	195,000	\$ 120.4	\$ 139.0	\$ 259.3	\$ 145.8	\$ 152.1	\$ 297.8
1b	State rate from 6.5% to 7.0%	195,000	\$ 599.2	\$ 692.0	\$ 1,291.2	\$ 725.7	\$ 757.0	\$ 1,482.7
1c	State rate from 6.5% to 7.5%	195,000	\$ 1,191.9	\$ 1,376.5	\$ 2,568.4	\$ 1,443.5	\$ 1,505.8	\$ 2,949.3
<b>RETAIL SALES/USE TAX - Tax Base Expansion (except services)</b>								
2	Shift sewerage and refuse collection to retailing B&O tax and retail sales tax	1,000	\$ 29.8	\$ 33.8	\$ 63.7	\$ 35.2	\$ 36.6	\$ 71.8
3	Repeal sales tax exemption for motor vehicle fuel	2,500	\$ 550.2	\$ 606.8	\$ 1,157.0	\$ 612.8	\$ 618.9	\$ 1,231.7
4	Repeal sales tax exemption for manufacturing machinery & equipment (the M&E exemption)	16,500	\$ 196.3	\$ 221.6	\$ 417.9	\$ 228.7	\$ 236.1	\$ 464.8
5	Repeal the warehouse-grain elevator-distribution center sales & use tax remittance program	100	\$ 4.8	\$ 5.2	\$ 10.0	\$ 5.2	\$ 5.2	\$ 10.4
6	Repeal use tax exemption for fuel extracted, manufactured, and consumed in petroleum production	5	\$ 24.3	\$ 26.8	\$ 51.1	\$ 27.1	\$ 27.3	\$ 54.4
7	Extend sales tax to bottled water	198,000	\$ 21.4	\$ 23.0	\$ 44.4	\$ 22.6	\$ 22.2	\$ 44.9
<b>Trade-in exclusion:</b>								
8a	· Repeal trade-in exclusion from sales tax - RCW 82.08.010 (1)	1,425	\$ 158.8	\$ 186.3	\$ 345.1	\$ 200.0	\$ 214.5	\$ 414.5
8b	· Repeal trade-in exclusion for boats, trailers, mobile homes, appliances	125	\$ 6.5	\$ 7.8	\$ 14.3	\$ 8.3	\$ 8.4	\$ 16.7
8c	· Repeal trade-in exclusion for motor vehicles only	900	\$ 133.2	\$ 157.4	\$ 290.6	\$ 170.7	\$ 185.3	\$ 356.0
8d	· Trade-in exclusion - limit ALL trade-ins to \$10,000	1,075	\$ 48.4	\$ 57.0	\$ 105.3	\$ 61.6	\$ 66.4	\$ 128.0
<b>Nonresident exemption:</b>								
9a	· Repeal exemption for nonresidents (states, possessions, and provinces <3.0% sales tax)	4,500	\$ 27.2	\$ 31.0	\$ 58.2	\$ 32.2	\$ 33.2	\$ 65.4
9b	· Refund state sales tax if nonresident pays \$25 or more sales tax in a year (states, possessions, and provinces <3.0% sales tax)	132,000	\$ 24.1	\$ 27.4	\$ 51.5	\$ 28.5	\$ 29.4	\$ 57.9

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State General Fund Impact<sup>1</sup> (unless otherwise noted)

#	Description of Alternative	# of Impacted Taxpayers	FY 2016 <sup>2</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<b>Farm consumables:</b>								
10a	· Repeal exemption for replacement parts and repair services	3,600	\$ 7.5	\$ 8.5	\$ 16.0	\$ 8.7	\$ 9.0	\$ 17.7
10b	· Repeal exemption for fertilizers, sprays, and washes sold to farmers - RCW 82.04.050(10)	1,700	\$ 67.7	\$ 71.0	\$ 138.7	\$ 74.6	\$ 78.3	\$ 152.9
10c	· Repeal exemption for leased irrigation equipment	1,000	\$ 2.6	\$ 2.9	\$ 5.5	\$ 3.0	\$ 3.1	\$ 6.1
10d	· Repeal exemption for diesel, biodiesel, and aircraft fuel for farm use	140	\$ 4.2	\$ 4.7	\$ 8.9	\$ 4.7	\$ 4.7	\$ 9.4
10e	· Repeal exemption for propane for heating chicken barns	140	\$ 0.2	\$ 0.3	\$ 0.5	\$ 0.3	\$ 0.3	\$ 0.6
10f	· Repeal exemption for farm equipment auction sales	1,200	\$ 2.8	\$ 2.9	\$ 5.7	\$ 2.9	\$ 3.0	\$ 5.9
10g	· Limit exemption for fertilizers, sprays, or washes to approved organic products only	1,700	\$ 46.6	\$ 53.3	\$ 99.9	\$ 55.9	\$ 58.7	\$ 114.6
<b>RETAIL SALES/USE TAX - Extend Tax Base to Services<sup>3</sup></b>								
11	Extend sales tax to certain consumer services <sup>4</sup>	26,400	\$ 121.2	\$ 134.3	\$ 255.5	\$ 141.6	\$ 147.7	\$ 289.3
12	Extend sales tax to selected "business" services <sup>5</sup>	128,200	\$ 867.0	\$ 991.8	\$ 1,858.8	\$ 1,086.7	\$ 1,133.3	\$ 2,220.0
13	Extend sales tax to financial, insurance, and real estate services <sup>6</sup>	24,200	\$ 250.1	\$ 279.6	\$ 529.7	\$ 297.7	\$ 310.5	\$ 608.2
<b>BUSINESS &amp; OCCUPATION TAX - Rate Increases</b>								
<b>Increase B&amp;O tax:</b>								
14	· 0.3 percent surcharge on service businesses	162,200	\$ 275.1	\$ 316.8	\$ 591.9	\$ 333.2	\$ 350.6	\$ 683.8
15a	· 10% surtax on all existing rates	474,200	\$ 344.5	\$ 395.5	\$ 740.0	\$ 415.2	\$ 435.4	\$ 850.6
15b	· 25% surtax on all existing rates	474,200	\$ 861.2	\$ 988.9	\$ 1,850.1	\$ 1,038.1	\$ 1,088.5	\$ 2,126.6
16	Increase the retailing B&O tax from 0.471% to 0.484% - RCW 82.04.250(1)	192,100	\$ 22.1	\$ 25.4	\$ 47.5	\$ 26.7	\$ 27.9	\$ 54.7
17	Increase manufacturing rate for petroleum fuels to 1%	6	\$ 49.4	\$ 54.5	\$ 103.8	\$ 55.0	\$ 55.5	\$ 110.5
<b>Preferential B&amp;O Tax Rates:</b>								
18a	· Repeal all preferential B&O tax rates, excluding aerospace and radioactive waste clean-up	15,600	\$ 172.1	\$ 197.0	\$ 369.1	\$ 206.5	\$ 216.3	\$ 422.8
18b	· Reduce the benefit of all preferential B&O tax rates by 25%, excluding aerospace and radioactive waste clean-up	15,600	\$ 41.8	\$ 47.8	\$ 89.6	\$ 50.1	\$ 52.5	\$ 102.7
19	Repeal preferential B&O tax rate for royalties	1,300	\$ 15.3	\$ 17.5	\$ 32.8	\$ 18.3	\$ 19.2	\$ 37.5

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State General Fund Impact<sup>1</sup> (unless otherwise noted)

#	Description of Alternative	# of Impacted Taxpayers	FY 2016 <sup>2</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<b>BUSINESS &amp; OCCUPATION TAX - Tax Base Expansion</b>								
20	Repeal deduction for federal tax on motor fuel	2,500	\$ 2.3	\$ 2.5	\$ 4.8	\$ 2.6	\$ 2.6	\$ 5.2
21	Repeal exemption for shared real estate commissions - RCW 82.04.255	8,600	\$ 29.9	\$ 34.5	\$ 64.4	\$ 35.8	\$ 37.2	\$ 73.0
22	Repeal deduction for membership dues and fees - RCW 82.04.4282	5,000	\$ 9.9	\$ 12.3	\$ 22.2	\$ 13.8	\$ 15.5	\$ 29.3
<b>B&amp;O Tax Exemption for Farmers:</b>								
23a	· Repeal B&O tax exemption for all farmers	46,000	\$ 40.0	\$ 45.0	\$ 85.0	\$ 46.0	\$ 48.0	\$ 94.0
23b	· Repeal B&O tax exemption for farmers whose annual gross income exceeds \$200,000	4,200	\$ 38.0	\$ 43.0	\$ 81.0	\$ 44.0	\$ 46.0	\$ 90.0
<b>OTHER BUSINESS TAXES</b>								
<b>Increase PUT rate:</b>								
24a	· PUT rate increase - 10% surtax on all rates	11,900	\$ 40.2	\$ 45.9	\$ 86.2	\$ 48.3	\$ 50.5	\$ 98.9
24b	· PUT rate increase - 25% surtax on all rates	11,900	\$ 100.6	\$ 114.8	\$ 215.4	\$ 120.8	\$ 126.4	\$ 247.2
25	PUT/B&O sewerage - all related activities taxed at 3.852%	2,600	\$ 17.9	\$ 20.9	\$ 38.8	\$ 22.3	\$ 23.9	\$ 46.2
26a	· PUT on motor/urban transportation and log hauling - increase to 3.852%	7,800	\$ 48.1	\$ 53.8	\$ 101.9	\$ 55.0	\$ 56.1	\$ 111.1
26b	· PUT on urban transportation and vessels - increase to 1.926%	2,700	\$ 7.1	\$ 8.0	\$ 15.1	\$ 8.2	\$ 8.4	\$ 16.6
27	Impose PUT on fuel extracted, manufactured, and consumed in petroleum production <sup>3</sup>	5	\$ 14.4	\$ 15.9	\$ 30.3	\$ 16.1	\$ 16.2	\$ 32.3
<b>OTHER TAXES - Rate/Base Increases</b>								
28	Property Tax - State levy increase - \$3.60		\$ 790.1	\$ 1,532.2	\$ 2,322.3	\$ 1,570.2	\$ 1,609.8	\$ 3,180.0
29	Real estate excise tax increase - from 1.28% to 1.6%		\$ 135.7	\$ 156.8	\$ 292.5	\$ 162.7	\$ 168.9	\$ 331.6
<b>Cigarette Tax:</b>								
30a	· Increase the cigarette tax by 25 cents per pack	6,500	\$ 10.1	\$ 10.7	\$ 20.8	\$ 10.4	\$ 10.1	\$ 20.5
30b	· Increase the cigarette tax by 50 cents per pack	6,500	\$ 18.3	\$ 19.5	\$ 37.8	\$ 18.9	\$ 18.3	\$ 37.2
30c	· Increase the cigarette tax by 75 cents per pack	6,500	\$ 24.8	\$ 26.4	\$ 51.2	\$ 25.6	\$ 24.8	\$ 50.4
30d	· Increase the cigarette tax by \$1.00 per pack	6,500	\$ 29.7	\$ 31.7	\$ 61.4	\$ 30.7	\$ 29.8	\$ 60.5

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State General Fund Impact<sup>1</sup> (unless otherwise noted)

#	Description of Alternative	# of Impacted Taxpayers	FY 2016 <sup>2</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<b>Change measure of oil spill taxes from volumetric to a percentage of value:</b>								
31a	Oil spill tax - from 5 cents per barrel to 5% of value	20	\$ 227.8	\$ 219.6	\$ 447.4	\$ 217.6	\$ 213.3	\$ 430.9
31b	Oil spill tax - 0.7% based on value of product, not volume	20	\$ 29.9	\$ 28.9	\$ 58.8	\$ 28.8	\$ 28.4	\$ 57.2
<b>Syrup Tax:</b>								
32a	Repeal B&O credit for Syrup Tax - RCW 82.04.4486	2,400	\$ 4.7	\$ 5.2	\$ 9.9	\$ 5.3	\$ 5.3	\$ 10.6
32b	Repeal B&O credit for Syrup Tax - Increase Syrup Tax from \$1 to \$2	2,400	\$ 12.0	\$ 13.0	\$ 25.0	\$ 13.0	\$ 12.9	\$ 25.8
<b>NEW TAXES</b>								
<b>Beverage/water tax:</b>								
33	Bottled water - 1 cents per oz. at retail (includes bulk sales )	5,000	\$ 82.6	\$ 88.3	\$ 170.9	\$ 86.1	\$ 83.7	\$ 169.8
34	Carbonated beverage tax @ 2 cents/12 oz. (excludes fountain)	4,100	\$ 32.6	\$ 35.0	\$ 67.6	\$ 34.5	\$ 33.9	\$ 68.4
<b>State admissions tax:</b>								
35a	5% state admissions tax - exclude youth non-profit and K-12 school activities	64,000	\$ 43.7	\$ 51.1	\$ 94.8	\$ 54.7	\$ 55.6	\$ 110.2
35b	also exclude college activities	64,000	\$ 41.1	\$ 48.1	\$ 89.2	\$ 51.4	\$ 52.3	\$ 103.7
35c	also exclude college activities and non-profits	61,000	\$ 31.7	\$ 37.1	\$ 68.9	\$ 39.7	\$ 40.4	\$ 80.1
<b>Luxury tax with deductions:</b>								
36a	10 percent luxury tax on motor vehicles - \$50,000 deduction	2,000	\$ 11.9	\$ 14.0	\$ 25.9	\$ 15.2	\$ 16.5	\$ 31.7
36b	10 percent luxury tax on vessels - \$50,000 deduction	1,100	\$ 17.3	\$ 20.1	\$ 37.4	\$ 21.2	\$ 22.2	\$ 43.4
36c	10 percent luxury tax on aircraft - \$50,000 deduction	20	\$ 6.9	\$ 7.7	\$ 14.6	\$ 7.9	\$ 8.2	\$ 16.1

**NOTES:**

<sup>1</sup>Estimates reflect the November 2014 revenue forecast issued by the Forecast Council.

<sup>2</sup>Estimates for FY 2016 generally reflect 11 months of cash receipts, due to the 7/1/2015 effective date.

<sup>3</sup>Extension of sales tax to services includes reduction in B&O tax to retailing classification.

<sup>4</sup>Some items in this category are already subject to retail sales tax.

<sup>5</sup>Some items in "business services" are also purchased by households.

<sup>6</sup>The total impact for financial services does NOT include fees from banking institutions.

**Detail for Extending Sales Tax to Services - Revenue Alternatives 10, 11 & 12**  
**November 2014 Forecast**  
**(\$ millions)**

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Type of Service	Service NAICS or Line Code <sup>2,3</sup>	State General Fund Impact <sup>1</sup>					
		FY 2016 <sup>4</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<b>Consumer Services<sup>5,6</sup></b>							
<i>Satellite and Cable</i>	5152	\$ 39.3	\$ 43.3	\$ 82.6	\$ 45.6	\$ 47.5	\$ 93.1
<i>Travel Agent Commission (line 28)</i>	Line 28	29.0	32.2	61.2	33.8	35.3	69.1
<i>Hair, Nail, Skin, and Other Personal Care Services (i.e., hair removal, hair replacement, massage parlor, etc.)</i>	81211, 812199	23.2	25.5	48.7	26.9	28.0	54.9
<i>Admissions (i.e., movie theaters, theater, dance, musical, racetracks, spectator sports, etc)</i>	51213, 7111, 7112	19.2	21.2	40.4	22.3	23.2	45.5
<i>Instructional Lessons (golf, skiing, fitness)</i>	713910, 713920, 713940	4.3	4.8	9.1	5.0	5.2	10.2
<i>Tax Preparation Services</i>	541213	3.5	4.3	7.8	5.0	5.2	10.2
<i>Service Fees Related to Travel Arrangement and Reservation Services, AND Fees Related to Non-Sporting Events</i>	561599	2.6	2.9	5.5	3.1	3.2	6.3
<b>Total Consumer Services</b>		<b>\$ 121.1</b>	<b>\$ 134.2</b>	<b>\$ 255.3</b>	<b>\$ 141.7</b>	<b>\$ 147.6</b>	<b>\$ 289.3</b>
<b>Business Services<sup>5,7</sup></b>							
<i>Legal Services, Mediation, Arbitration</i>	5411	\$ 156.7	\$ 176.4	\$ 333.1	\$ 189.3	\$ 197.5	\$ 386.8
<i>Architectural and Engineering Services</i>	541310, 541330	130.3	151.8	282.1	169.0	176.2	345.2
<i>Office Support Services (i.e., call centers, document preparation services, administrative services, payroll services, etc.)</i>	5614, 5611, 541214, EXCEPT 561440 and 561450 and 561491	93.6	103.4	197.0	108.7	113.3	222.0
<i>Employment Services - (i.e., employment placement agencies, executive search services, professional employer organizations, temporary help services, etc.)</i>	561311, 561312, 561320, 561330	83.1	92.0	175.1	97.1	101.3	198.4
<i>Offices of Certified Public Accountants</i>	541211	48.1	54.2	102.3	58.2	60.7	118.9
<i>Administrative Management and General Management Consulting Services</i>	541611	40.2	48.3	88.5	55.2	57.5	112.7
<i>Scientific - All Other Professional, Scientific, and Technical Services (i.e., credit repair services, appraisal (except real estate), weather forecasting services, meteorological services, etc.)</i>	541990	36.8	40.7	77.5	42.7	44.6	87.3
<i>Computer Related - Custom Software</i>	541511, 541512, 541513, 541519, 511210	43.1	48.8	91.9	54.0	56.3	110.3
<i>Accountant (except CPA) Offices, Bookkeeper Offices, and Billing Offices</i>	541219	32.9	36.5	69.4	38.8	40.4	79.2
<i>Computer Related - Data Processing, Hosting, and Related Services</i>	518210	31.6	33.9	65.5	34.7	36.2	70.9
<i>Other Management Consulting Services</i>	541618	22.4	30.0	52.4	38.0	39.6	77.6

**Detail for Extending Sales Tax to Services - Revenue Alternatives 10, 11 & 12**  
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Type of Service	Service NAICS or Line Code <sup>2,3</sup>	State General Fund Impact <sup>1</sup>					
		FY 2016 <sup>4</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<i>Janitorial Services</i>	561720	20.2	22.2	42.4	23.3	24.3	47.6
<i>Advertising and Related Services</i>	5418	18.8	23.2	42.0	27.2	28.3	55.5
<i>Refuse Collection (line 64)</i>	Line 64	16.6	17.5	34.1	18.5	19.3	37.8
<i>Investigation and Security Services (except locksmiths)</i>	5616	15.8	19.8	35.6	23.5	24.5	48.0
<i>Scientific - Environmental and Other Scientific Consulting Services (i.e., sanitation consulting, site remediation consulting, agricultural consulting, biological consulting, energy consulting, etc.)</i>	541620, 541690	13.3	17.7	31.0	22.4	23.4	45.8
<i>Collection and Repossession Agencies</i>	561440, 561491	10.3	11.4	21.7	11.9	12.4	24.3
<i>Marketing Consulting Services</i>	541613	9.0	13.1	22.1	17.9	18.6	36.5
<i>Support Activities for Transportation</i>	488, EXCEPT 488410	8.2	8.9	17.1	9.4	9.8	19.2
<i>Motion Picture and Video Industries</i>	5121, EXCEPT 51213	7.0	7.7	14.7	8.1	8.5	16.6
<i>Human Resources Consulting Services</i>	541612	6.7	9.1	15.8	11.7	12.2	23.9
<i>Support Activities for the Agricultural and Forestry Industry</i>	115	6.4	7.0	13.4	7.4	7.7	15.1
<i>Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures, Promoters of Performing Arts, Sports, and Similar Events</i>	7113, 7114	4.6	5.1	9.7	5.4	5.6	11.0
<i>Marketing Research and Public Opinion Polling</i>	541910	2.8	3.0	5.8	3.1	3.2	6.3
<i>Computer Related - Internet Publishing and Broadcasting and Web Search Portals</i>	519130	3.1	3.4	6.5	3.6	3.7	7.3
<i>Facilities Support Services</i>	561210	2.4	2.7	5.1	2.8	2.9	5.7
<i>Parking Lot Management Services</i>	812930	2.0	2.2	4.2	2.3	2.4	4.7
<i>Process, Physical Distribution, and Logistics Consulting Services</i>	541614	1.1	1.7	2.8	2.6	2.7	5.3
<b>Total Business Services</b>		\$ 867.1	\$ 991.7	\$ 1,858.8	\$ 1,086.8	\$ 1,133.1	\$ 2,219.9

**Financial Services<sup>5,8</sup>**

<i>Insurance Agencies and Brokerages (line 14) (fees and commission)</i>	524210 (line 14)	\$ 89.5	\$ 99.4	\$ 188.9	\$ 104.5	\$ 109.0	\$ 213.5
<i>Offices of Real Estate Agents and Brokers (fees and commission)</i>	531210	67.5	74.3	141.8	78.1	81.5	159.6
<i>Financial Planning Advice and Investment Counseling (fees and commission)</i>	523930	23.9	27.5	51.4	30.0	31.3	61.3
<i>Securities Trading Services (fees and commission)</i>	523120, 523140	17.5	20.1	37.6	22.1	23.0	45.1
<i>Investment Management Services (fees and commission)</i>	523920, 523999	15.3	16.4	31.7	16.9	17.6	34.5
<i>Mortgage and Nonmortgage Loan Brokers (fees and commission)</i>	522310	14.3	16.5	30.8	18.1	18.9	37.0
<i>Managing Residential and Nonresidential Real Estate for Others (fees and commission)</i>	522311, 522312	12.0	13.2	25.2	13.8	14.4	28.2

**Detail for Extending Sales Tax to Services - Revenue Alternatives 10, 11 & 12**  
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Type of Service	Service NAICS or Line Code <sup>2,3</sup>	State General Fund Impact <sup>1</sup>					
		FY 2016 <sup>4</sup>	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
<i>Surveying and Mapping</i>	541370	5.0	5.9	10.9	6.8	7.1	13.9
<i>Offices of Real Estate Appraisers (fees and commission)</i>	531320	2.1	2.7	4.8	3.2	3.4	6.6
<i>Building Inspection Services</i>	541350	1.3	1.4	2.7	1.5	1.5	3.0
<i>Insurance Adjusting (fees and commission)</i>	524291	1.2	1.3	2.5	1.4	1.4	2.8
<i>Trust, Fiduciary, and Custody Activities (fees and commission)</i>	523991	0.6	0.9	1.5	1.3	1.4	2.7
<i>Fees from Banking Institutions (commercial banking, savings institutions, credit unions, other depository credit agencies)</i>	5221	Ind	Ind	Ind	Ind	Ind	Ind
<b>Total Financial Services</b>		\$ 250.2	\$ 279.6	\$ 529.8	\$ 297.7	\$ 310.5	\$ 608.2

<sup>1</sup>Estimates reflect the November 2014 revenue forecast issued by the Forecast Council.

<sup>2</sup>Not all activity would become retail sales taxable.

<sup>3</sup>Compliance rates vary by industry, and are accounted for in estimates.

<sup>4</sup>Estimates for Fiscal Year 2016 generally reflect 11 months of cash receipts, due to the 7/1/2015 effective date.

<sup>5</sup>Extension of sales tax to services includes reduction in B&O tax to retailing classification.

<sup>6</sup>Some items in this category are already subject to retail sales tax.

<sup>7</sup>Some items in "business services" are also purchased by households.

<sup>8</sup>The total impact for financial services does NOT include Fees From Banking Institutions, as this amount is indeterminate.

**Estimated EXPENDITURE Impact of Revenue Alternatives**  
November 2014 Forecast

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<b>Synopsis of Alternative</b>		<b>Initial Costs FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>2015-17 Biennium</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>2017-19 Biennium</b>
<b>RETAIL SALES/USE TAX - Rate Increase</b>								
1a	State rate from 6.5% to 6.6%	\$ 179,500	\$ 409,700	\$ 223,200	\$ 632,900	\$ 115,300	\$ 72,100	\$ 187,400
1b	State rate from 6.5% to 7.0%	\$ 179,500	\$ 409,700	\$ 223,200	\$ 632,900	\$ 115,300	\$ 72,100	\$ 187,400
1c	State rate from 6.5% to 7.5%	\$ 179,500	\$ 409,700	\$ 223,200	\$ 632,900	\$ 115,300	\$ 72,100	\$ 187,400
<b>RETAIL SALES/USE TAX - Tax Base Expansion (except services)</b>								
2	Shift sewerage and refuse collection to retailing B&O tax and retail sales tax	\$ 77,000	\$ 17,600	\$ 6,900	\$ 24,500	\$ -	\$ -	\$ -
3	Repeal sales tax exemption for motor vehicle fuel	\$ 16,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Repeal sales tax exemption for manufacturing machinery & equipment (the M&E exemption)	\$ 20,700	\$ 15,500	\$ -	\$ 15,500	\$ -	\$ -	\$ -
5	Repeal the warehouse-grain elevator-distribution center sales & use tax remittance program	\$ -	\$ (7,800)	\$ (7,800)	\$ (15,600)	\$ (7,800)	\$ (7,800)	\$ (15,600)
6	Repeal use tax exemption for fuel extracted, manufactured, and consumed in petroleum production	\$ 6,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Extend sales tax to bottled water	\$ 147,300	\$ 84,500	\$ 44,300	\$ 128,800	\$ 44,300	\$ 44,300	\$ 88,600
<b>Trade-in exclusion:</b>								
8a	Repeal trade-in exclusion from sales tax - RCW 82.08.010 (1)	\$ 4,400	\$ 23,600	\$ 14,500	\$ 38,100	\$ -	\$ -	\$ -
8b	Repeal trade-in exclusion for boats, trailers, mobile homes, appliances	\$ 3,800	\$ 7,500	\$ -	\$ 7,500	\$ -	\$ -	\$ -
8c	Repeal trade-in exclusion for motor vehicles only	\$ 3,500	\$ 8,500	\$ -	\$ 8,500	\$ -	\$ -	\$ -
8d	Trade-in exclusion - limit ALL trade-ins to \$10,000	\$ 11,700	\$ 8,500	\$ 7,900	\$ 16,400	\$ -	\$ -	\$ -
<b>Nonresident exemption:</b>								
9a	Repeal exemption for nonresidents (states, possessions, and provinces <3.0% sales tax)	\$ 44,800	\$ 14,800	\$ 6,900	\$ 21,700	\$ -	\$ -	\$ -
9b	Refund state sales tax if nonresident pays \$25 or more sales tax in a year (states, possessions, and provinces <3.0% sales tax)	\$ 132,400	\$ 1,959,100	\$ 1,499,900	\$ 3,459,000	\$ 1,492,800	\$ 1,492,800	\$ 2,985,600
<b>Farm consumables:</b>								
10a	Repeal exemption for replacement parts and repair services	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10b	Repeal exemption for fertilizers, sprays, and washes sold to farmers - RCW 82.04.050(10)	\$ 9,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10c	Repeal exemption for leased irrigation equipment	\$ 9,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10d	Repeal exemption for diesel, biodiesel, and aircraft fuel for farm use	\$ 9,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10e	Repeal exemption for propane for heating chicken barns	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10f	Repeal exemption for farm equipment auction sales	\$ 9,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10g	Limit exemption for fertilizers, sprays, or washes to approved organic products only	\$ 9,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>RETAIL SALES/USE TAX - Extend Tax Base to Services<sup>3</sup></b>								
11	Extend sales tax to certain consumer services <sup>4</sup>	\$ 77,600	\$ 370,200	\$ 376,700	\$ 746,900	\$ 373,600	\$ 373,600	\$ 747,200
12	Extend sales tax to selected "business" services <sup>5</sup>	\$ 374,700	\$ 2,429,000	\$ 2,121,200	\$ 4,550,200	\$ 1,998,500	\$ 1,998,500	\$ 3,997,000
13	Extend sales tax to financial, insurance, and real estate services <sup>6</sup>	\$ 70,600	\$ 527,700	\$ 540,700	\$ 1,068,400	\$ 529,000	\$ 529,000	\$ 1,058,000
<b>BUSINESS &amp; OCCUPATION TAX - Rate Increases</b>								
<b>Increase B&amp;O tax:</b>								
14	Extend .3 percent surcharge on service businesses (currently ends June 30, 2013)	\$ 31,000	\$ 137,200	\$ 58,000	\$ 195,200	\$ -	\$ -	\$ -
15a	10% surtax on all existing rates	\$ 174,200	\$ 784,200	\$ 152,900	\$ 937,100	\$ -	\$ -	\$ -
15b	25% surtax on all existing rates	\$ 174,200	\$ 784,200	\$ 152,900	\$ 937,100	\$ -	\$ -	\$ -
16	Eliminate preferential rate for retailing - (from 0.471% to 0.484%) - RCW 82.04.250(1)	\$ 82,800	\$ 275,200	\$ 35,700	\$ 310,900	\$ -	\$ -	\$ -
17	Increase manufacturing rate for petroleum fuels to 1%	\$ 13,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Preferential B&amp;O Tax Rates:</b>								
18a	Repeal all preferential B&O tax rates, excluding aerospace, retailing, and radioactive waste clean-up	\$ 58,700	\$ 27,800	\$ 6,900	\$ 34,700	\$ 6,900	\$ -	\$ 6,900
18b	Reduce the benefit of all preferential B&O tax rates by 25%, excluding aerospace, retailing, and radioactive waste clean-up	\$ 58,700	\$ 21,500	\$ 6,900	\$ 28,400	\$ 6,900	\$ -	\$ 6,900
19	Repeal preferential B&O tax rate for royalties	\$ 6,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>BUSINESS &amp; OCCUPATION TAX - Tax Base Expansion</b>								

**Estimated EXPENDITURE Impact of Revenue Alternatives**  
November 2014 Forecast

**Please note that estimates provided do not reflect a policy position by the Department and are intended solely to assist you in exploring options under development.**

Prepared by Research & Fiscal Analysis, December 2014

<b>Synopsis of Alternative</b>		<b>Initial Costs</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>2015-17</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>2017-19</b>
		<b>FY 2015</b>			<b>Biennium</b>			<b>Biennium</b>
20	Repeal deduction for federal tax on motor fuel	\$ 2,900	\$ 15,300	\$ 6,900	\$ 22,200	\$ 1,900	\$ -	\$ 1,900
21	Repeal exemption for shared real estate commissions - RCW 82.04.255	\$ 16,700	\$ 106,800	\$ 91,700	\$ 198,500	\$ 90,500	\$ 90,500	\$ 181,000
22	Repeal deduction for membership dues and fees - RCW 82.04.4282	\$ 13,900	\$ 290,300	\$ 271,400	\$ 561,700	\$ 48,200	\$ 33,700	\$ 81,900
<b>B&amp;O Tax Exemption for Farmers:</b>								
23a	Repeal B&O tax exemption for all farmers	\$ 12,700	\$ 1,831,100	\$ 1,585,500	\$ 3,416,600	\$ 1,469,200	\$ 1,469,200	\$ 2,938,400
23b	Repeal B&O tax exemption for farmers whose annual gross income exceeds \$200,000	\$ 11,100	\$ 140,600	\$ 126,300	\$ 266,900	\$ 125,600	\$ 125,600	\$ 251,200
<b>OTHER BUSINESS TAXES</b>								
<b>Increase PUT rate:</b>								
24a	PUT rate increase - 10% surtax on all rates	\$ 20,600	\$ 14,800	\$ 6,900	\$ 21,700	\$ 6,900	\$ 6,900	\$ 13,800
24b	PUT rate increase - 25% surtax on all rates	\$ 20,600	\$ 22,500	\$ 6,900	\$ 29,400	\$ 6,900	\$ 6,900	\$ 13,800
25	PUT/B&O sewerage - all related activities taxed at 3.852%	\$ 22,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26a	PUT on motor/urban transportation and log hauling - increase to 3.852%	\$ 38,300	\$ 7,500	\$ -	\$ 7,500	\$ -	\$ -	\$ -
26b	Repeal preferential PUT rate for urban transportation and vessels - increase from 0.642% to 1.926%	\$ 89,900	\$ 9,400	\$ 1,900	\$ 11,300	\$ 1,900	\$ 1,900	\$ 3,800
27	Impose PUT on fuel extracted, manufactured, and consumed in petroleum production <sup>3</sup>	\$ 13,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OTHER TAXES - Rate/Base Increases</b>								
28	Property Tax - State levy increase - \$3.60	\$ 9,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Real estate excise tax increase - from 1.28% to 1.6%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cigarette Tax:</b>								
30a	Increase the cigarette tax by 25 cents per pack	\$ 26,000	\$ 34,700	\$ 300	\$ 35,000	\$ 45,500	\$ 42,400	\$ 87,900
30b	Increase the cigarette tax by 50 cents per pack	\$ 26,000	\$ 34,700	\$ 300	\$ 35,000	\$ 45,500	\$ 42,400	\$ 87,900
30c	Increase the cigarette tax by 75 cents per pack	\$ 26,000	\$ 34,700	\$ 300	\$ 35,000	\$ 45,500	\$ 42,400	\$ 87,900
30d	Increase the cigarette tax by \$1.00 per pack	\$ 26,000	\$ 34,700	\$ 300	\$ 35,000	\$ 45,500	\$ 42,400	\$ 87,900
<b>Change measure of oil spill taxes from volumetric to a percentage of value:</b>								
31a	Oil spill tax - from 5 cents per barrel to 5% of value	\$ 2,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31b	Oil spill tax - 0.7% based on value of product, not volume	\$ 2,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Syrup Tax:</b>								
32a	Repeal B&O credit for Syrup Tax - RCW 82.04.4486	\$ 3,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32b	Repeal B&O credit for Syrup Tax - Increase Syrup Tax from \$1 to \$2	\$ 3,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NEW TAXES</b>								
<b>Beverage/water tax:</b>								
33	Bottled water - 1 cents per oz. at retail (includes bulk sales)	\$ 166,300	\$ 152,100	\$ 100,600	\$ 252,700	\$ 78,900	\$ 49,700	\$ 128,600
34	Carbonated beverage tax @ 2 cents/12 oz. (excludes fountain)	\$ 24,700	\$ 14,800	\$ 6,900	\$ 21,700	\$ 6,900	\$ -	\$ 6,900
<b>State admissions tax:</b>								
35a	5% state admissions tax - exclude youth non-profit and K-12 school activities	\$ 72,700	\$ 493,600	\$ 444,800	\$ 938,400	\$ 433,700	\$ 433,700	\$ 867,400
35b	also exclude college activities	\$ 72,700	\$ 493,600	\$ 444,800	\$ 938,400	\$ 433,700	\$ 433,700	\$ 867,400
35c	also exclude college activities and non-profits	\$ 70,800	\$ 488,000	\$ 439,200	\$ 927,200	\$ 428,100	\$ 428,100	\$ 856,200
<b>Luxury tax with deductions:</b>								
36a	10 percent luxury tax on motor vehicles - \$50,000 deduction	\$ 23,200	\$ 95,900	\$ 81,900	\$ 177,800	\$ 75,000	\$ 75,000	\$ 150,000
36b	10 percent luxury tax on vessels - \$50,000 deduction	\$ 22,600	\$ 88,600	\$ 81,900	\$ 170,500	\$ 75,000	\$ 75,000	\$ 150,000
36c	10 percent luxury tax on aircraft - \$50,000 deduction	\$ 21,900	\$ 7,500	\$ -	\$ 7,500	\$ -	\$ -	\$ -

**Other Revenue Raising Proposals**  
**State General Fund Impact (unless otherwise noted)**  
**(\$ millions)**

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Description of Alternative	# of Impacted Taxpayers	FY 2013
<b><u>BUSINESS &amp; OCCUPATION TAX - Rate Increases</u></b>		
Impose 5% surcharge on B&O tax rates		
Repeal preferential B&O tax rate for meat processors (increases rate from 0.138% to 0.484%)	260	\$ 19.3
Limit B&O tax preferences for meat processors, fruit and vegetable processors	500	\$ 0.9
Repeal preferential B&O tax rate for international investment management	140	\$ 8.3
Repeal preferential B&O tax rate for flour and oil manufacturing (increases rate from 0.138% to 0.484%)		\$ 0.2
Restrict the import exemption to aerospace		No \$'s available
Restrict the import exemption to sales that become an ingredient or component of a product in this state.		No \$'s available
Increase B&O tax rate on oil companies with windfall profits	<10	\$ 131.0
Increase B&O tax rate on financial institutions with windfall profits	Unknown	\$ 53.8
<b><u>BUSINESS &amp; OCCUPATION TAX - Tax Base Expansion</u></b>		
Investment Income		
· Limit B&O tax deduction for investment income to \$500,000 and impose tax on both non-financial firms and individuals	60,000	\$ 145.2
· Limit B&O tax deduction for investment income of non-financial firms to \$250,000	11,200	\$ 87.9
· Limit B&O tax deduction for investment income of non-financial firms to \$500,000		\$ 45.7
· Limit B&O tax deduction for investment income of non-financial firms to \$1 million		\$ 40.5
Repeal B&O tax deduction for first mortgage interest	5,500	\$ 46.6
Limit B&O tax exemption for individual earnings to \$250,000	32,000	\$ 48.6
Limit B&O tax deduction for tuition fees to non-profit educational institutions		
Repeal B&O tax exemption for state-chartered credit unions	200	\$ 9.2
Repeal the B&O tax deduction for dividends and distributions derived by a parent from its subsidiaries received from subsidiaries	200	\$ 8.9

**Other Revenue Raising Proposals**  
**State General Fund Impact (unless otherwise noted)**  
**(\$ millions)**

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Description of Alternative	# of Impacted Taxpayers	FY 2013
Extend economic nexus to retail and wholesale activities	229,000	\$ 8.9
Impose service B&O tax on gross income from long-term real estate rentals	100,000	\$ 8.8
Impose service B&O tax on gross income from long-term commercial real estate rentals	60,000	\$ 8.2
Close the nonresident manufacturer loophole	Unknown	\$ 3.5
Repeal the B&O tax exemption for cities that share sewer services	Unknown	\$ 1.8
Repeal B&O tax exemption for employee wages	Unknown	\$ 994.0
Increase taxes on home and community-based service providers	Unknown	\$ 1.7
Limit B&O tax exemption for insurance companies to exclude affiliated companies that do not sell insurance	40	\$ 1.3
Repeal the B&O tax deductions for certain advertising income of radio and television broadcasters	Unknown	\$ 1.1
Close B&O tax loophole that allows out-of-state printers to sell into WA without paying B&O tax	1,300	\$ 0.1
<b>PROPERTY TAX</b>		
Repeal limited income property tax deferral	100	\$ 0.2
Repeal property tax exemption for nonprofit nursing homes	100	\$ -
Repeal property tax exemption for nonprofit hospitals	Unknown	\$ -
<b>PUBLIC UTILITY TAX</b>		
Repeal PUT deduction for in-state portion of interstate transportation	23,000	\$ 28.0
Impose PUT on home and community based services at 5.029%	350	\$ 28.0
Impose PUT on cable and satellite TV at 6% rate with a tax credit for franchise fees paid	<100	\$ 15.3
Repeal PUT deduction for sales of irrigation water	700	\$ 1.1

**Other Revenue Raising Proposals**  
**State General Fund Impact (unless otherwise noted)**  
**(\$ millions)**

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Description of Alternative	# of Impacted Taxpayers	FY 2013
<b>REAL ESTATE EXCISE TAX</b>		
Limit REET "foreclosure" exemption	Unknown	\$ 26.1
Repeal REET exemption for sales of government property to private purchasers	Unknown	\$ 7.7
<b>RETAIL SALES &amp; USE TAX - Tax Base Expansion</b>		
<b>M&amp;E exemption:</b>		
· Limit M&E exemption to production machinery and equipment only	2,150	\$ 74.7
· Limit M&E exemption to machinery and equipment used exclusively for manufacturing	2,150	\$ 71.2
Repeal sales tax exemption for chicken bedding materials	<500	\$ 0.3
Repeal sales tax exemption for food and food ingredients	56,400	\$ 819.7
Repeal sales and use tax exemptions for candy and gum	80,000	\$ 29.1
Repeal sales tax exemption for food products baked and sold onsite	12,200	\$ 18.0
Require full sales tax on all vending machine sales of low-cost items (<5 cents) -- currently taxed on 60% of sales revenue	<500	\$ 0.2
<b>Amusement and recreation services:</b>		
· Impose sales tax on all amusement and recreation services	48,000	\$ 57.4
· Impose sales tax on all amusement and recreation services – exclude all K-12 and youth nonprofit activities	48,000	\$ 55.4
Repeal sales tax exemption for items used in interstate commerce (aircraft fuel)	500	\$ 101.1
Repeal sales tax exemption for labor and services on public road construction	2,000	\$ 43.3
Repeal the sales and use tax exemptions for OTC drugs purchased with a prescription	7,000	\$ 22.1
Repeal use tax exemption for fuel used to run refineries	<50	\$ 20.9
Repeal sales tax exemption for coal used at a coal-fired thermal electric generation facility	D	D
Repeal sales tax exemption for newspapers	16,000	\$ 7.0
Impose sales tax on cosmetic/reconstructive surgery not covered by health insurance	540-12k	\$ 4.6

**Other Revenue Raising Proposals**  
**State General Fund Impact (unless otherwise noted)**  
**(\$ millions)**

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Description of Alternative	# of Impacted Taxpayers	FY 2013
<b>RETAIL SALES &amp; USE TAX - Extend Tax Base to Services</b>		
Impose sales tax on most services	223,000	\$ 1,581.7
Impose sales tax on most services, excluding purchases by businesses	223,000	\$ 713.2
<b>RETAIL SALES &amp; USE TAX - Rate Increases</b>		
Increase state sales tax on food and drinks at restaurants from 6.5% to 7.5%	9,000	\$ 95.0
Increase state sales tax rate on boats, boat trailers and travel trailers from 6.5% to 6.8%	700	\$ 1.6
<b>MISCELLANEOUS</b>		
<b>Oil spill:</b>		
· Increase oil spill tax from 4 cents to 50 cents per barrel	20	\$ 37.9
· Impose motor vehicle excise tax (MVET) at 0.55% tax rate on all vehicles	All	\$ 276.7
· Impose an annual 1% excise tax on the value of recreational vehicles	360	\$ 21.8
· Increase hazardous substance tax from 0.7% to 2% of wholesale value	600	\$ 239.2
Repeal the current suspension threshold for the petroleum products tax and make the tax permanent	10	\$ 59.9
Impose 1.5% gross receipts tax on gambling and lottery winnings	71,000	\$ 13.1
Impose \$2 fee on all wireless devices (cell phones, laptops, etc.)	85,000	\$ 11.7
Repeal RCW 82.04.424 – Certain in-state activities	Unknown	\$ 10.8
Adopt "click-through nexus" for sales and use tax collection purposes	Unknown	
Increase tax per cigar 35 cents	200	\$ 0.2
Reduce estate tax threshold from \$2 million to \$1 million	Unknown	\$ -