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 estimates shown in this section reflect the exemption from state B&O tax for income derived by the Association.

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.060	$0.060	$0.060	$0.060
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.060	$0.060	$0.060
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Association revenue will be at least $4.0 million a year.

Data Sources

Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	The Association and insurance policy holders
Taxpayer Count:	800
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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 public auction; and,
- The sale of an abandoned vehicle sold by a registered tow truck operator to a licensed vehicle wrecker, hulk hauler, or scrap processor, as provided in RCW 46.55.130, if there is no successful bidder as described above.

This exemption expires January 1, 2030.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The revenue impact as a result of repealing this exemption may result in a minimal increase in total sales and use tax collections.
- Vehicle use tax will only be paid if the consumer registered the vehicle in Washington. If the vehicle is parted out, no use tax would be collected.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Tow truck operators
Taxpayer Count:	826
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.062 - Precious metals and bullion

Description

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

Purpose

To provide relief to dealers that are in competition with precious metals dealers in other states who are often not subject to tax and to recognize the frequency of such purchases which are made via mail order or over the internet which are not subject to tax in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.292	$0.302	$0.314	$0.325
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.277	$0.314	$0.325
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base that serves as the foundation of this estimate based on retail sales deductions reported on the excise tax return for the sales of precious metals and bullion.
- Taxpayers using this exemption are properly reporting the retail sales deduction on their excise tax returns and not just excluding from gross income.
- Growth rates used in this estimate are the same as for all retail sales. Price of precious metals is extremely volatile and no source reliably predicts the price six years into the future.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

82.04.062 - Precious metals and bullion

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchases of precious metals and bullion
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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

Description

Producers of aluminum master alloys are processors for hire rather than manufacturers regardless of the portion of aluminum provided by their customers. As a result, producers pay tax on the amount they charge their customers for processing. Manufacturers pay tax on the total value of the finished product.

Purpose

Provides tax relief to producers of aluminum master alloys as they are subject to B&O tax on the amount charged to their customers and not the total value of the finished product.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are fewer than three taxpayers using this tax preference and the revenue impacts cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Producers of aluminum master alloy
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.120(2)(a) - Hay cubing

Description

"To manufacture" 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 firms that cube hay for export.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.381	$0.381	$0.381	$0.381
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.349	$0.381	$0.381
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Hay prices tend to fluctuate year to year, so no overall growth.
- Eleven months collections in Fiscal Year 2021 with a July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Persons who cube hay or alfalfa
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.120(2)(a) - Seed conditioning

Description

"To manufacture" excludes seed conditioning for B&O tax purposes. 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 per RCW 82.04.331. See separate estimate.

Purpose

Encourages seed conditioning businesses to relocate in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.976	$2.060	$2.147	$2.238
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.888	$2.147	$2.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayer manufactures seeds in Washington before selling as a wholesale product.
- Manufacturing of seeds means seeds that will be used for planting.
- Seed conditioners only owe wholesaling B&O on instate sales so the out of state deduction is one part of the manufacturing exclusion.
- Ninety-five percent of conditioned seeds are from in-state sellers.
- Five percent growth rate reflects the growth of seeds used for planting.

Data Sources

- Washington State Department of Agriculture
- U. S. Department of Agriculture
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Seed conditioners who manufacture seeds for planting
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.120(2)(b) - Seafood processing

Description

"To manufacture" excludes cutting, grading or ice glazing of seafood that has been cooked, frozen or canned outside of Washington for B&O tax purposes. As a result, persons who perform these activities will not be considered to be manufacturing an activity that is subject to manufacturing B&O tax.

Purpose

To encourage these activities and the associated jobs to take place within Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues would be realized if RCW 82.04.120(2)(b) is repealed, because affected taxpayers would still be exempt from the B&O tax under RCW 82.04.4269.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Seafood processors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

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 not eligible for manufacturing tax incentive programs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is bundled under the B&O tax deduction for Processing Horticultural Products (RCW 82.04.4287).

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Packing manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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

Description	Manufacturing B&O tax applies to the production of computer software when the producer transfers the software by means of tangible storage media, but not to software transferred electronically, or to digital goods. Instead, retailing or wholesaling B&O tax applies to electronically delivered goods, depending upon the nature of the transaction.
Purpose	To reduce confusion and complications concerning the B&O tax liability incurred by the production and sale of software and digital goods.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
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

Department of Revenue, Interpretations and Technical Advice Division

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:	Not reviewed by JLARC

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 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate is contingent upon the commercial operation of a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion dollars.

To qualify, a manufacturer must begin operations before January 1, 2024. If this does not occur, the reduced rate expires on this date.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 incentive.
- Facility investment will not occur during the forecast period of this study.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.007	$0.007	$0.007	$0.007
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.007	$0.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Cleaning saltwater fish is not included in this calculation as manufacturing seafood is exempt from B&O tax under 82.04.4269.
- Actual taxpayer savings and potential revenue gains may be lower due to multiple activities tax credit and small business credit.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington Department of Fish and Wildlife, commercial fish harvest data 2014 to 2018

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Businesses that harvest and clean fresh fish
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.2404 - Semiconductor materials manufacturing - Preferential rate

Description

Washington provides a preferential B&O manufacturing rate of 0.275 percent on the manufacture or process for hire of semiconductor materials. The exemption is set to expire December 1, 2028. Any person claiming the preferential tax rate must reimburse the Department of Revenue (DOR) for 50 percent of the amount of the preference if:

- The number of persons employed by a person claiming the tax preference is less than 90 percent of the three-year average; or
- A review of a Clark County project has not generated at least 2500 jobs paying at least $25 per hour; 80 percent of these jobs must pay at least $35 per hour.

Manufacturers with no tax preference pay tax at a rate of 0.484 percent.

Purpose

To encourage the retention of existing semiconductor firms and attract similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers take advantage of this preference; revenue impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

82.04.2404 - Semiconductor materials manufacturing - Preferential rate

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 taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.250(3) - Certified aircraft repair firms

Description

Until July 1, 2040, 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 percent on retail sales and repairs made to airplanes exempt from tax under RCW 82.08.0261, 82.08.0262, or 82.08.0263. Businesses reporting under this tax rate must file a complete annual report with the Department of Revenue. If the incentive is repealed the activities would be subject to the 0.484 percent.

Purpose

To encourage the airplane repair industry presence in the State of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.720	$0.768	$0.793	$0.797
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.704	$0.793	$0.797
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	FAR Part 145 repair stations
Taxpayer Count:	41
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

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 firm is located out of state. Individual associate brokers and salespersons are not subject to B&O tax where 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$52.279	$53.046	$53.719	$55.036
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$48.626	$53.719	$55.036
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 92 percent of real estate transactions are brokered by two or more real estate agents.
- Revenues grow at the same rate as the real estate excise tax growth rates in Economic and Revenue Forecast Council March 2019 forecast.
- 11 months of cash collections impact for Fiscal Year 2021 with a July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- realtrends.com
- National Association of Realtors
- Economic and Revenue Forecast Council March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Real estate brokers and agents
Taxpayer Count:	2,700
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

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 percent. The general tax rate for manufacturing in 0.484 percent.

Purpose

Provides tax relief to agricultural processing firms that are unable to pass the total cost to final consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference and the revenue impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

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

82.04.260(1)(b) - Seafood products manufacturing

Description

A preferential B&O tax rate of 0.138 percent is provided to:

- Manufactures of seafood products that remain in a raw, raw frozen or raw salted state at the completion of the manufacturing process; and,
- Sellers of manufactured seafood products that remain in a raw, raw frozen or raw salted state at the completion of the manufacturing to purchasers who transport the seafood products out of this state.

The general tax rate for manufacturing is 0.484 percent.

Purpose

To provide tax relief to firms, create and retain quality jobs, and consistent tax treatment with other fresh food processors.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues would be realized if RCW 82.04.260(1)(b) is repealed, because affected taxpayers would still be exempt from the B&O tax under RCW 82.04.4269.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Seafood manufacturers
Taxpayer Count:	Not applicable
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.260(1)(c) - Dairy products manufacturing

Description

Manufacturers and wholesalers of dairy products and by-products receive a preferential B&O tax rate of 0.138 percent, beginning July 1, 2025. The general tax rate for manufacturing is 0.484 percent.

Purpose

To provide tax relief for firms that cannot pass the total cost to final consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues from July 1, 2025, when 82.04.4268 expires.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 82.04.260(1)(c), the default manufacturing and wholesale rate of 0.484% applies through June 30, 2025.
- Manufacturing or wholesaling of dairy product activities to purchasers who either transport out of state or who use dairy products as ingredients or component in the manufacturing of a dairy product are currently exempt from the B&O tax under RCW 82.04.4268. This exemption expires July 1, 2025.
- The preferential rate of 0.138% will not begin until July 1, 2025.
- An effective date of repealing the incentive of July 1, 2020, will not have any effect because there are no current taxpayer savings.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Dairy manufacturers & wholesalers
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

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

Description

Beginning July 1, 2025, manufacturers and wholesalers (selling for interstate transport) of fruit or vegetable products that are canned, preserved, dehydrated or frozen receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

To impose impartial treatment of fruit and vegetable processors with other fresh food processors.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues from July 1, 2025, when 82.04.4266 expires.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 82.04.260(1)(d), a default manufacturing and wholesale rate of .484 percent applies and preferential rate of 0.138 percent will not begin until July 1, 2025.
- July 1, 2020, effective date of repealing the incentive will not have any effect because there is currently no taxpayer savings.
- RCW 82.04.4266 is in place until July 1, 2025; there is no B&O tax on manufacturing or wholesaling (selling for interstate transport) until July 1, 2025.

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:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

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

Description

Manufacturers of wood biomass fuel receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

"Wood biomass fuel" means a liquid or gaseous fuel that is produced from lignocellulose feedstock, including wood, forest, or field residue, and dedicated energy crops. The term does not include wood treated with chemical preservations such as creosote, pentachlorophenol, or copper-chrome-arsenic.

Purpose

Encourage the production of alternative fuels in the state of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 tax preference.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Wood biomass manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review 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 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

To provide tax relief to firms unable to pass the total cost to consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.279	$0.290	$0.303	$0.315
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.266	$0.303	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Repealing the preference has a minimal impact on each taxpayer's Multiple Activities Tax Credit and Small Business Credit.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Dried pea processors
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.260(3) – Nonprofit research and development

Description

Nonprofit corporations and nonprofit associations doing research and development within the state receive a preferential B&O tax rate of 0.484 percent. The general tax rate for services is 1.5 percent.

Purpose

Support the advancement of nonprofit research and development activities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no firms currently benefiting from this lower B&O tax rate.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1965
Primary Beneficiaries:	Nonprofit corporation & associations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

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 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

Provide tax relief to firms not able to pass the total cost to consumers because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.695	$23.528	$24.519	$25.535
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$21.600	$24.519	$25.535
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Meat processors represent the following NAICS codes: 311611, 311612, 311613, 311615, 424410, 424420, 424430, 424440, 424460, 424470, 445210, 445220, and 445110.
- Growth rate mirrors the total B&O taxable activity forecast reflected in Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue Taxpayer excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Meat processors
Taxpayer Count:	233
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.260(5) – Travel agents and tour operators

Description

Travel agents and tour operators receive preferential B&O tax rates depending on the annual taxable amount reported for the prior calendar year:

- 0.275 percent if the annual taxable amount from providing travel agent and tour operator services in the prior calendar year was $250,000 or less; or,
- 0.9 percent if the annual taxable amount from providing travel agent and tour operator services in the prior calendar year was greater than $250,000.

Purpose

Provides a tax preference to travel agents and tour operators that is tied to annual taxable amounts.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.600	$2.700	$2.800	$2.900
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.500	$2.800	$2.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror B&O growth rate in the Economic & Revenue Forecast Council's March 2019 forecast.
- Passage of ESSB 6004 will create a new tax rate of 0.9% for travel and tour operators with over $250,000 in taxable income in the previous calendar year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2019.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Travel agents and tour operators
Taxpayer Count:	552
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(6) – International charter and freight brokers

Description	International steamship agents, international customs house brokers, international freight forwarders, vessel or cargo charter brokers in foreign commerce, and international air cargo agents receive a preferential B&O tax rate of 0.275 percent on income received. Persons conducting charter and freight brokering activities domestically do not qualify for the preferential rate and instead pay the 1.5 percent tax rate for services.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.024	$8.462	$8.908	$9.384
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.757	$8.908	$9.384
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue and Forecast Council's March 2019 forecast data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	International charter and freight brokers
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(7) - Stevedoring

Description

Income received from stevedoring and similar cargo handling activities receive a preferential B&O tax rate of 0.275 percent, rather than the 1.5 percent tax rate for services. Stevedores load and unload cargo from ships.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$11.568	$12.199	$12.842	$13.529
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$11.182	$12.842	$13.529
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Stevedoring businesses
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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 percent on income received, rather than the 1.5 percent tax rate for services.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$21.033	$22.180	$23.349	$24.598
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$20.332	$23.349	$24.598
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Insurance producers, title insurance agents, and surplus line brokers
Taxpayer Count:	3,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(11) – Commercial airplane manufacturing

Description

Manufacturers of commercial airplanes or components of commercial airplanes, as well as tooling used in the production of commercial aircraft receive a preferential B&O tax rate of 0.2904 percent. The general tax rate for manufacturing is 0.484 percent. This preferential rate expires July 1, 2040.

A person reporting under the tax rate must file a complete annual tax performance report with the department.

Purpose

Encourage the assembly of commercial airplanes in the state of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$128.600	$137.200	$141.600	$142.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$125.800	$141.600	$142.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

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:	409
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

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 percent (.3424 after including .052 surcharge to finance riparian habitat). Previously these activities were subject to a B&O tax rate of 0.484 percent.

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 pays B&O tax at 0.2904 percent (.3424 percent effective rate after including .052 percent surcharge to finance riparian habitat). Without the preference, these activities are subject to REET at an average of 1.67% (1.28% state and 0.39% local portion) instead of B&O tax.

This preferential tax rate expires July 1, 2024. The surcharge of 0.052 percent (82.04.261) also expires on July 1, 2024.

Purpose

Encourage firms in the timber industry to continue to conduct business in the State of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$17.300	$17.900	$18.800	$19.500
Local Taxes	$0.300	$0.300	$0.400	$0.400

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$16.390	$18.800	$19.500
Local Taxes	$0.000	$0.300	$0.400	$0.400

Assumptions

- Growth rate mirrors the B&O growth rate reflected in Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 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:	1,675
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.260(13) – Canned salmon services

Description

Businesses that inspect, test, label, or store canned salmon owned by another business receives a preferential B&O tax rate of 0.484 percent. These activities were previously subject to the service and other activities rate of 1.5 percent.

Purpose

To provide tax relief for firms that provide services for salmon canners.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.159	$0.174	$0.183	$0.193
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.159	$0.183	$0.193
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rates based on March 2019 forecast.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Firms that provide services for salmon canners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.260(14)(a) – Printing and publishing newspapers

Description

Businesses in the newspaper industry receive a preferential B&O tax rate for engaging in the business of printing a newspaper, publishing a newspaper, or both. This B&O tax rate is 0.35 percent until July 1, 2024, at which time the rate increases to 0.484 percent.

The definition of "newspaper" for B&O tax purposes includes electronic versions of a printed newspaper. Advertising and subscription revenues generated from the online version of a printed newspaper are also taxed at the preferential rate.

Proposal:

The preference expires on July 1, 2024. The B&O tax rates would be:
- 0.484 percent for print advertising revenues;
- 1.5 percent for digital advertising revenues; and
- 0.484 percent for print and/or digital subscription revenues.

Purpose

Assist the newspaper industry by providing relief to sustain business activity in the state of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.500	$1.500	$1.500	$1.500
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.400	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington's newspaper subscription and advertisement revenues follow national trends.
- Newspaper income taxed under preferential rate during Fiscal Year 2018 equals $445.7 million.
- Newspaper revenue from subscription and advertisement is decreasing at the annual rate of 3.4 percent, based on Washington's past 4-year average excise tax return data.
- July 1, 2020, effective date will result in 11 months of cash collections in Fiscal Year 2021.

- Roughly 59 percent of revenues are from advertisement in newspapers (20 percent of revenues are from online digital advertising and 39 percent of revenues are from print advertising).
- Approximately 41 percent of revenues are from either digital, print, or print/digital bundled subscriptions.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	The newspaper industry
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.263 - Radioactive waste cleanup

Description

Persons in Washington engaging in the business of cleaning up radioactive waste and other by-products of weapons production and nuclear research and development for the United States, or its instrumentalities, receive a preferential B&O tax rate of 0.471 percent.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$35.774	$37.262	$38.832	$40.485
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$34.157	$38.832	$40.485
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Without this preference, activity would be taxed at 1.5 percent.
- Average of $3.1 billion in taxable income annually.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Radioactive waste cleanup businesses
Taxpayer Count:	238
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.272 - Prescription drug resellers

Description

Businesses registered with the Federal Drug Enforcement Administration and licensed by the Pharmacy Quality Assurance Commission that warehouse and resell prescription drugs receive a preferential B&O tax rate of 0.138 percent, rather than the general wholesaling tax rate of 0.484 percent.

Purpose

To provide tax relief to firms that experience low profit margins and to encourage resellers of prescription drugs to relocate to Washington State.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$23.956	$25.202	$26.263	$27.381
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$23.102	$26.263	$27.381
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Prescription drug resellers
Taxpayer Count:	39
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.280 - Rental of real estate

Description

In 1935 RCW 82.04.390 included the prohibition against taxing income from the rental of real estate. In 1959 RCW 82.04.280 was amended to subject the rental of real estate to B&O tax at a rate of 0.25 percent. 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. RCW 82.04.280 does not explicitly provide an exemption, but it does not include the activity in the list of those subject to tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$63.007	$64.000	$65.029	$66.088
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 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$7.627	$16.908	$25.774
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Residential real estate includes non-apartment dwellings and manufactured / mobile homes. The small business credit available for service activities will be greater than or equal to the tax due for the residential rental income for these taxpayers. No revenue will be gained by repealing the exemption on residential real estate, but many of these taxpayers may still be required to register with the Department.
- Commercial real estate includes buildings and dwellings that have not been defined as residential real estate, this includes apartment buildings. All revenue reflected in this estimate is associated with commercial real estate income.

- Growth rate for revenue generated from repealing this exemption mirrors a combination of personal income growth from the Economic and Revenue Forecast Council's Mach 2019 forecast and the change in the number of multi-family, manufacturing, and commercial parcels in Washington State.
- Significant litigation risk associated with this proposal which is reflected in the compliance rates.
- Compliance:
  - 13 percent revenue collections in Fiscal Year 2020;
  - 26 percent revenue collections in Fiscal Year 2021;
  - 39 percent revenue collections in Fiscal Year 2022; and,
  - 52 percent revenue collections in Fiscal Year 2023 and thereafter.
- 11 months of cash collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- 2012 Economic Census, Real Estate and Rental and Leasing: Geographic Area Series
- County Assessor data
- Economic and Revenue Forecast Council's March 2019 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:	25,000
Program Inconsistency:	None evident
JLARC Review:	Not Reviewed by JLARC

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

Description

For B&O tax purposes, radio and television broadcasters may exclude revenues from network, national, and regional advertising computed using:

- A standard deduction that is published by the Department; or,
- An itemization calculation to exclude the portion of revenue representing their out-of-state audience.

Purpose

The deduction reflects a perception that broadcasts which cross the state's boundaries and advertising income derived from outside the state may constitute interstate commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.866	$0.866	$0.866	$0.866
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue, unless the tax would be considered as interfering with interstate commerce.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.794	$0.866	$0.866
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Future deduction amounts claimed will be similar to the average deductions for the last five years.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1967
Primary Beneficiaries:	Interstate broadcasters
Taxpayer Count:	58
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.290(1) - International investment management services

Description

Qualifying businesses engaged in providing international investment management services (IIMS) are allowed a preferential B&O tax rate of 0.275 percent, compared with the general service rate of 1.5 percent.

A qualifying international investment management services business:
- Is primarily engaged in investment management services;
- Has at least ten percent of its gross income coming from providing investment management services to:
  - Collective investment funds commercially domiciled outside the U.S.; or,
  - Collective investment funds with at least ten percent of their investments located outside the U.S.
- Has more than 25 percent of its employees located in Washington;
- Is a member of an affiliated group having:
  - Ten 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; and,
  - Average assets under management of more than $200 billion during the current or preceding calendar year.

Purpose

To retain international investment management services within the state. Such firms could easily move to a location outside of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.560	$0.641	$0.613	$0.621
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, taxpayers can move this activity out of state.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.588	$0.613	$0.621
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

None

Data Sources

Department of Revenue excise tax and audit data

82.04.290(1) - International investment management services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Qualifying IIMS businesses
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.290(3) - Aerospace product development

Description

Firms that develop aerospace products for others pay a preferential B&O tax rate of 0.9 percent, as compared to the general services rate of 1.5 percent. The preferential rate expires on July 1, 2040.

Purpose

To provide an incentive for firms developing aerospace products, such as engineering and design firms. These firms do not engage in actual manufacturing or repair of commercial aircraft and therefore cannot take advantage of other aerospace incentives.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.359	$2.521	$2.603	$2.603
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.304	$2.603	$2.603
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate used is the "industrial production index for aerospace products and parts" from Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers identified in E2SHB 2158 will be subject to higher B&O surcharge rate that will become effective January 1, 2020.
- Surcharge amounts deposited into workforce education investment account.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Firms engaged in aerospace product development
Taxpayer Count:	144
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.2905 - Child care

Description

Firms engaged in providing child care receive a preferential B&O tax rate of 0.484 percent, compared with the general services tax rate of 1.5 percent.

Notes:
- Churches that provide child care for periods of less than 24 hours are exempt from B&O tax under RCW 82.04.339;
- The care of children up to the age of eight is exempt from B&O tax under RCW 82.04.4282; and,
- The impacts of these exemptions are in separate estimates.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.250	$1.305	$1.361	$1.418
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.196	$1.361	$1.418
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Washington State Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses providing child care
Taxpayer Count:	1,298
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.2906 - Chemical dependency treatment

Description

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

Purpose

To support the firms providing such services and in turn improve the general welfare of the community; to provide a preferential rate similar to the preferential rate provided for certain nonprofit activities important to the state, such as research and development.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.546	$0.592	$0.646	$0.707
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.543	$0.646	$0.707
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Entities providing treatment for chemical dependency
Taxpayer Count:	11
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.2908 - Assisted living facilities

Description

Licensed assisted living facilities providing room and domiciliary care to residents receive a reduced B&O tax rate of 0.275 on business income. The standard service rate is 1.5 percent.

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

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.773	$11.221	$11.694	$12.191
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.286	$11.694	$12.191
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assisted living facilities are properly reporting income.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Adult assisted living facilities
Taxpayer Count:	318
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.2909 - Aluminum manufacturing and wholesaling

Description

A reduced tax rate of 0.2904 percent applies to manufacturing and wholesaling of aluminum. This special tax rate expires on January 1, 2027. If there were no special rate, the manufacturing rate would be 0.484 percent.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers take advantage of this tax preference; the revenue impacts cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.294 - Solar energy and silicon product manufacturers

Description

The B&O tax rate on manufacturing of solar energy systems or the production of silicon components of these systems is 0.275 percent until June 30, 2027. If there were no special rate, the manufacturing rate would be 0.484 percent.

A person who utilizes this special 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.232	$0.197	$0.167	$0.141
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.180	$0.167	$0.141
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Solar energy and silicon product manufacturing activities will decline at the average rate of 15.7 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Businesses
Year Enacted:	2005
Primary Beneficiaries:	Businesses manufacturing certain solar energy systems and their components
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.298(2) - Grocery distribution co-ops

Description

Qualified grocery cooperatives that do not make wholesale sales may deduct from the gross proceeds of sales of groceries for resale the cost of goods sold that represents the actual cost of the merchandise sold to its customer-owners. However, commission income is subject to tax under the service classification.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three co-ops benefit from this exemption; impact cannot be disclosed.

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 taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.299(5) – Hospitals exempt from workforce education surcharges

Description

Amounts received by hospitals are exempt from the workforce education investment surcharges in RCW 82.04.299(5). Hospitals are defined in RCW 70.41.020. This includes any hospitals that come within the scope of RCW 71.12 if they are also licensed under RCW 70.41.

Purpose

To lower costs for hospitals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.811	$6.382	$4.663	$4.886
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$5.850	$4.663	$4.886
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Revenue growth varies due to compliance factors.
- This exemption took effect on January 1, 2020. There are 5 months of taxpayer savings in Fiscal Year 2020.
- There are 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Hospitals
Taxpayer Count:	111
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.301 - University-managed hospital in King County

Description

Certain hospitals, as defined in RCW 70.41 are exempt from business and occupation tax. In order 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 is effective July 1, 2019.

The exemption expires January 1, 2030.

Purpose

To lower taxes on hospitals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference; impact cannot be disclosed.

Data Sources

- Department of Revenue excise tax data
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	University-managed hospital in King County
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.310(2) - Electricity sales for resale

Description

B&O tax does not apply to amounts received by any person for the sale of electrical energy purchased for resale within or outside of the state.

Purpose

With deregulation of the electrical energy market firms other than light and power businesses are selling electricity. This exemption parallels the public utility tax exemption for electricity for resale. The sale of electricity to the consumer is the taxable transaction.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.187	$1.238	$1.288	$1.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.135	$1.288	$1.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate in line with March 2019 Forecast for electricity sales.

Data Sources

- U.S. Department of Commerce's Energy Information Administration, form 861
- Department of Revenue excise tax data
- Economic and Revenue Forecast Council’s March 2019 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:	JLARC completed a full review 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 United States a total amount of natural or manufactured gas that is no more than twenty percent of the amount of natural or manufactured gas they consumed within the United States 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 liability.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is minimal.

Data Sources

U. S. Energy Information Administration, Natural Gas Consumption by End Use; http://www.eia.gov/dnav/ng/ng_cons_sum_dcu_swa_a.htm

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:	JLARC completed an expedited report in 2014

82.04.311 - Tobacco Settlement Authority

Description

Income received by the Tobacco Settlement Authority ("Authority") under chapter 43.340 RCW is exempt from B&O tax. The Authority has certain financing powers under chapter 43.340 RCW, 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact of this exemption cannot be disclosed since it impacts fewer than three taxpayers.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2002
Primary Beneficiaries:	The Authority and indirectly, citizens of the state
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.315 - International banking facilities

Description

International banking facilities in Washington receive a B&O tax exemption for income. 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 corporation under the Federal Reserve Act; or,
- Certain Agreement corporations under the Federal Reserve Act.

Purpose

Encourages international trade through banks in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.490	$4.620	$4.730	$4.840
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.240	$4.730	$4.840
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth mirrors the IHS Markit forecast of composite lagged interest rates for generating personal income.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Census Bureau, state population estimates
- Federal Reserve System data for assets, liabilities of U.S. branches, agencies of foreign banks
- Global Insight Division of IHS, Inc. March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	International banking facilities
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.04.317; 82.04.422(1) - Wholesale auto auctions

Description

Motor vehicle manufacturers, their financing subsidiaries (must be at least 50 percent owned by the manufacturer), and vehicle dealers licensed under chapter 46.70 RCW 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 a vehicle dealer licensed under chapter 46.70 RCW.

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 this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.447	$2.433	$2.454	$2.509
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.230	$2.454	$2.509
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers are reporting this deduction under the "Other" deduction from wholesaling B&O and are entering "Auction", "82.04.317", and/or "82.04.422" in the description field.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast for auto sales

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Car dealers/auctioneers
Taxpayer Count:	288
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$728.600	$765.000	$803.300	$843.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$701.300	$803.300	$843.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 5 percent a year.
- Premiums can be subject to both insurance and business and occupation taxes.
- 1.5 percent B&O tax rate is the measure of tax savings.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Insurance companies and ultimately policyholders
Taxpayer Count:	1,600
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

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 offered under the health plan offered under RCW 41.05.321 are exempt from business and occupation tax. This includes reimbursement from the qualified health plan and any amounts collected from the patient as part of his or her cost-sharing obligation.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Potential revenue gain as a result of eliminating this exemption is indeterminate. Department of Revenue estimates the magnitude of the potential revenue gain to the state general fund may be roughly $3 to $5 million per fiscal year.

Data Sources

- Health Care Authority
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Healthcare providers
Taxpayer Count:	34,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$313.500	$331.100	$349.700	$369.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$303.500	$349.700	$369.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 5.6 percent a year.
- Activity will be subject to the insurance premiums tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1993
Primary Beneficiaries:	HMOs, HCSCs and CHPs and their members
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

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 on-line 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. This exemption expires July 1, 2023.

Purpose

To reduce the WHBE's operating costs.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; impact is not disclosed.

Data Sources

Washington State Health Benefit Exchange

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Washington Health Benefit Exchange
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 to the extent the amounts are exempt from federal income tax. A qualifying nonprofit blood or tissue bank means an exempt organization that is registered pursuant to 21 C.F.R., part 1271, and whose primary business purpose is the recovery or collection, preparation, testing or processing of blood; storage, labeling, packaging or distribution of human bone tissue and similar ligament tissue. Until July 1, 2016, this exemption will also apply to nonprofit organizations that provide services on behalf of other qualifying blood banks or qualifying blood and tissue banks.

Purpose

To support the activities of these entities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$5.086	$5.300	$5.522	$5.751
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.858	$5.522	$5.751
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 80 percent of income reported to the federal government would be subject to service B&O tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Federal income tax data for non-profits
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit blood, bone or tissue banks
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact of this exemption cannot be disclosed since there are fewer than three beneficiaries.

Data Sources

N/A

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 taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.327 - Adult family homes

Description

Homes that provide a protected family-like environment for adult clients with developmental, physical or other disabilities are exempt from B&O tax. To qualify the home must be:

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

Purpose

Reduces the cost of operating adult family homes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.792	$4.792	$4.792	$4.792
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.393	$4.792	$4.792
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Department of Social and Health Services

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Adult family homes
Taxpayer Count:	2,966
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.04.330 - Agricultural producers

Description

Farmers who grow, raise, or produce agricultural products for sale at wholesale are exempt from B&O tax. Agricultural products, as defined in RCW 82.04.213, includes any product of plant cultivation or animal husbandry, plantation Christmas trees, animals, birds, insects and fish, as well as the products obtained from animals, such as eggs, milk and honey. It does not include marijuana, useable marijuana, or marijuana-infused products.

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. Furthermore, farmers in Washington have little ability to affect the prices for their products which are determined by national markets, so they cannot pass on the tax to their customers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$46.000	$47.400	$48.900	$50.300
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$43.450	$48.900	$50.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Ninety percent of value of production would be taxable without the exemption.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U. S. Department of Agriculture, National Agricultural Statistics Service (NASS)
- U. S. Department of Agriculture's Census of Agriculture

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Large agricultural producers
Taxpayer Count:	10,000 – 12,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

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 qualified farmers. The apiarists must provide the pollination services using bee colonies that 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 and resulting loss of bee hives occurring when the bill was enacted in 2008.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.034	$0.034	$0.034	$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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.031	$0.034	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Apiarists who own or keep one or more bee colonies, and grow or produce honey products for wholesale, will register their hives with Washington State Department of Agriculture.
- Fiscal Year 2018 apiarists reported over $4 million gross revenues on the B&O Tax service line, of which over $1 million was taxable.
- Fiscal Year 2017 apiarists reported over $3 million gross revenues on the B&O Tax service line, of which about $965,000 was taxable.
- Difference is exempt amount for pollination services performed by bee brokers.
- July 1, 2020, effective date, with 11 months collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Washington State Department of Agriculture list of registered apiarists

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Apiarists that provide pollination services
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.330; 82.04.100 - Christmas tree producers

Description

Farmers who grow 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 retail sales taxes.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.091	$0.093	$0.094	$0.095
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.085	$0.094	$0.095
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Average national Christmas tree sales growth is 1.2 percent over the past 14 years.

Data Sources

- United States Department of Agriculture, National Agricultural Statistics Service
- Pacific Northwest Christmas Tree Association
- Christmas trees sold in the United States, Statista

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Christmas tree farmers
Taxpayer Count:	460
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

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” or “vegetable seeds” as defined in RCW 15.49.011, seeds or portions of plants used to grow marijuana, ornamental flowers, shrubs, trees, ferns or mosses.

Purpose

Assist firms that provide seed used in commercial agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.845	$0.865	$0.885	$0.905
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.793	$0.885	$0.905
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 95 percent of conditioned seed purchased is from a Washington State seller.
- Growth rate reflects the growth rate of farmers' expense for seeds in 2012 US Department of Agriculture Farming Census for Washington.
- 58 percent of crop production is from conditioned seed qualifying for wholesale exemption.

Data Sources

U. S. Department of Agriculture - 2017 Agriculture Census

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Wholesalers of conditioned seeds used for planting
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

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 under RCW 82.04.330.

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$8.900	$9.000	$9.100	$9.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$8.250	$9.100	$9.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average annual wholesale sales of grain and unprocessed milk total $1.8 billion.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U. S. Department of Agriculture Bulletin and 2017 Agriculture Census
- Joint Legislative Audit and Review Committee

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Agricultural businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.333 - Small timber harvesters

Description

Small timber harvesters (anyone who harvests less than 2 million board feet in a calendar year) may deduct up to $100,000 per tax year from their gross receipts or value of products proceeding or accruing from timber harvested. Effectively, small timber harvesters are taxable only on activity in excess of $100,000 per tax year.

Purpose

To support small harvesters.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.070	$0.071	$0.072	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.065	$0.072	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Annual growth based on March 2019 timber excise tax forecast.
- 0.3424 percent B&O tax rate is the measure of tax savings.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

- Department of Revenue excise tax data
- Economic Forecast Council's March 2019 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Small timber harvesters
Taxpayer Count:	235
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.334 - Standing timber exclusion

Description

Sales of standing timber excluded from the definition of "sale" in RCW 82.45.010(3) for purposes of Real Estate Excise Tax are exempt from the B&O tax.

Purpose

To support the State's timber industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

None

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:	Not reviewed by JLARC

82.04.335 - Agricultural fairs

Description

Organizations that conduct agricultural fairs are exempt from B&O tax if no part of earnings inures to any stockholder or member of the association.

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.576	$0.582	$0.588	$0.593
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.533	$0.588	$0.593
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- One percent growth per year.

Data Sources

- Washington State Fairs Association
- County fair websites

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1965
Primary Beneficiaries:	County or community fairs or youth livestock shows
Taxpayer Count:	About 70 county and community fairs or youth livestock shows
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2018

82.04.337 - Hops processed and exported

Description

The sale of hops that are processed into extract, pellets or powder in this state 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 that 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.040	$2.040	$2.040	$2.040
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.870	$2.040	$2.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 2018, approximately 77.7 million pounds of hops were produced in Washington. There is consistent hop production per year, so no annual growth.
- Over 95 percent of hops are processed into extract or pellets.
- About 98 percent of processed hops are exported outside of Washington.
- Farm-gate value of Washington hops in 2018 was $5.5 per pound.
- Value of processed hops is approximately 150 percent of farm gate value.
- Processed value of exported hops is about $422.3 million per year.

Data Sources

- Washington Hop Commission
- U. S. Department of Agriculture - National Hop Report issued in December 2018
- Liquor and Cannabis Board
- Brewers Association

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Hop producers/merchants
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.003	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase state revenues. Organizations doing business with the Hop Commission would be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- One nonprofit organization that performs work for the Hop Commission.
- Value of the work performed is $197,000 per year.
- Amount of services performed will be constant.
- Per the Hop Commission, the service amount is not confidential.

Data Sources

Washington Hop Commission

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Nonprofits doing services for the Hop Commission
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.339 - Church child care

Description

B&O tax does not apply to churches that provide child care for periods of less than 24 hours. The church must be exempt from property tax under RCW 84.36.020 to qualify.

Purpose

Reduces the cost of operating such facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.205	$0.214	$0.223	$0.232
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.025	$0.058	$0.091
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate derived from March 2019 Economic and Revenue Forecast Council.
- This group of taxpayers are currently not registered, reporting compliance is expected to be:
  - 13 percent revenue collections in Fiscal Year 2021;
  - 26 percent revenue collections in Fiscal Year 2022;
  - 39 percent revenue collections in Fiscal Year 2023; and,
  - 52 percent revenue collections in Fiscal Year 2024 and thereafter.

Data Sources

- Economic and Revenue Forecast Council's March 2019 Forecast
- Washington Department of Early Learning 2018 Child Care Market Rate Survey Final Report
- Washington Department of Early Learning 2014 Child Care Survey

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Day care centers that operate in churches
Taxpayer Count:	126
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.3395 - Child care resources and referral

Description

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

Purpose

Reduces the cost of providing these services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference, impact cannot be disclosed.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Child care resource and referral offices
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.340 - Boxing and wrestling matches

Description

Income received from conducting boxing, kickboxing, martial arts or wrestling matches requiring a license from the Department of Licensing are exempt from B&O tax.

Purpose

In 2009, the tax was changed to a fee. The fee is 6% of gross receipts and $1 per ticket sale. The purpose of the exemption was to avoid double taxation; however, funds are deposited into the Business and Professions Account to cover the costs of licensing and regulating these professions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.021	$0.021	$0.021	$0.021
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.020	$0.021	$0.021
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Boxing as a sport is experiencing zero to negative growth.

Data Sources

Washington Department of Licensing

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Boxing or wrestling matches
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

82.04.350 - Horse racing

Description

Persons who conduct horse racing events that are licensed by the State Horse Racing Commission are exempt from B&O tax, except for the special surtax attributable to RCW 82.04.286(1). The surtax, enacted in 2005, applies an additional B&O tax of 0.13 percent 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 (RCW 67.16.105).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues, although the income is also subject to pari-mutuel tax. Pari-mutuel wagering receipts are subject to both pari-mutuel tax and the 0.13 percent B&O surtax. They are not currently subject to the regular B&O tax under the service classification.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth since horse racing in Washington continues to decline.
- Fewer than three taxpayers take advantage of this tax preference.

Data Sources

Washington Horse Racing Commission

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Persons who conduct horse racing events
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

82.04.355 - Ride-sharing and special needs transportation

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Income received in the course of commuter ride sharing or ride sharing for persons with special transportation needs would be subject to public utility tax under the motor or urban transportation classification absent the exemption in RCW 82.16.047.
- There is minimal, if any, taxpayer savings from this exemption.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit social service organizations, van pools and car pools that provide transportation services for commuters and persons with special transportation needs
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

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 RCW 18.16 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,907.500	$2,044.400	$2,078.800	$2,122.400
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1,839.900	$1,974.800	$2,016.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxes are first imposed on compensation earned in July 2020.
- Employers must withhold wages and remit the tax to Department of Revenue; the Department receives quarterly payments, first due in October 2020.
- Firms must withhold wages for each taxpayer required to file.
- All wages earned by employees are subject to this tax.
- Small business tax credit applies, using the Service and Other Activities classifications; individuals with wages below the phase-out threshold are assumed to have no taxable wages, but are included in counts of those registering and filing.
- Compliance is 90 percent in the first year and 95 percent thereafter.
- Taxpayers using this preference are subject to the Higher Education Surcharge.

Data Sources

- IRS Personal income tax returns data, source for wages amounts
- IRS W2 data, source for number of firms withholding tax
- Economic and Revenue Forecast Council’s March 2019 forecast, for wage growth rates

82.04.360 - Income of employees

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Individuals receiving wages and salaries
Taxpayer Count:	1,387,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.104	$1.139	$1.180	$1.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, the difficulty in locating life insurance sales agents impacts the potential revenue gains from a full repeal.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.520	$0.706	$0.850
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the Washington State real personal income growth rate reflected in Economic & Revenue Forecast Council's February 2018 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Life insurance premiums are 23 percent of total insurance premiums.
- Compliance:
    - 50 percent revenue collections in Fiscal Year 2021;
    - 60 percent revenue collections in Fiscal Year 2022; and,
    - 70 percent revenue collections in Fiscal Year 2023.

Data Sources

- Employment Security Department Employment and Wage Data
- Economic & Revenue Forecast Council's February 2018 forecast
- Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Life insurance sales agents
Taxpayer Count:	3,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

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 that is 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.799	$1.853	$1.908	$1.966
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase state revenues. Money collected from purchases of certain items at camps and conference centers would be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.699	$1.908	$1.966
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Camps are an $18 billion industry, nationwide.
- 3 percent growth.

Data Sources

- National Center for Charitable statistics
- https://www.acacamps.org/press-room/aca-facts-trends, American Camp Association

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	Participants at camps and conferences operated by nonprofit organizations
Taxpayer Count:	Around 200 organizations that offer camps and conferences
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.3651 - Nonprofit organization fund-raising

Description

Nonprofit organizations that do fund-raising activities are exempt from the B&O tax. Fund-raising activity is for the purpose of furthering the goals of the nonprofit organization, and includes:

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

For purposes of this exemption, fund-raising does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

Purpose

To support the activities of nonprofit organizations by reducing operating costs and provide a limited excise tax exemption for fund-raising activities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$52.399	$53.971	$55.590	$57.257
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase state revenues. Income received from fundraising activities would be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$49.470	$55.590	$57.257
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington nonprofits reported over $64.6 billion in total revenue in FY 2016.
- 21 percent of income came from contributions, gifts and government grants.
- Fundraising is assumed to be 25 percent of that income.
- Annual growth of 3 percent.

Data Sources

- National Center for Charitable Statistics
- https://independentsector.org/wp-content/uploads/2016/12/Washington.pdf

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations which raise funds to support their activities
Taxpayer Count:	About 32,000 Washington nonprofits
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.367 - Nonprofit student loan organizations

Description

A B&O tax exemption is provided for the gross income of nonprofit organizations exempt from federal income tax under section 501(c0(3) of the internal revenue code that:

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

Purpose

Promotes the availability of student loans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues if beneficiaries existed.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The Federal Family Education Loan (FFEL) Program was terminated; now all education assistance is provided directly by the federal government rather than through a nonprofit organization.
- Due to the restructuring of the federal government's education loan process, there will likely be no revenue impact for this statute.

Data Sources

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

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	Nonprofit student loan organizations qualifying under the statue
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

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 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Nonprofits do not generally charge clients for the counseling service.
- Minimal taxpayer savings.

Data Sources

- Credit Counseling Washington www.needhelppayingbills.com/html/credit_counseling_washington.html
- Debt Reduction Services www.debtreductionservices.org

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Nonprofit credit and debt counseling organizations
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

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 under RCW 48.36A.240.

Purpose

To support the programs and activities of these organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.000	$3.000	$3.000	$3.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.800	$3.000	$3.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average of $202 million in premium income annually.
- Without this preference, the activity would be taxed at 1.5 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.380 - Federal instrumentalities furnishing aid and relief

Description

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

- Volunteer aid to the armed forces; and,
- 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption applies to fewer than three taxpayers; revenue impacts cannot be disclosed.

Data Sources

N/A

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.385 - Nonprofit sheltered workshops

Description

Nonprofit organizations that operate sheltered workshops and group training homes for persons with developmental disabilities are exempt from the B&O tax on income received from the state or 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.680	$1.750	$1.820	$1.900
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.600	$1.820	$1.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 11 months of collections in Fiscal Year 2017 due to July 1, 2016, effective date.
- Growth mirrors the March 2019 forecast for Retail, Wholesale, Services and Manufacturing B&O tax classifications.

Data Sources

- Department of Revenue tax return data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	Workshops and training homes throughout the state
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

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

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

- The B&O tax was intended to tax only sales of tangible personal property and certain services; or,
- 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 sales of tangible personal property are subject to both retail sales tax and retailing B&O tax).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$350.367	$355.512	$360.021	$368.847
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would likely not increase revenues. In 1960, the Washington Supreme Court determined that taxing real estate rental income is unconstitutional. Although the Supreme Court has questioned the validity of this decision in later court decisions, the case is still good law. Applying the analysis of the decision to sale of real estate, it is likely the Washington Supreme Court would determine that taxing sales of real estate is unconstitutional as well. Barring the court overturning or distinguishing its precedent on the rental of real estate issue, it is likely repealing the exemption would not be upheld by the court.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue will be realized by repealing this exemption.
- Taxpayer savings grow at the same rate as real estate excise tax in Economic and Revenue Forecast Council's March 2019 forecast.
- Taxpayer count is the same as total yearly affidavits for real estate excise tax.

Data Sources

- State real estate excise tax collections
- Economic and Revenue Forecast Council's March 2019 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:	250,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.392 - Trust account amounts received by mortgage brokers

Description

Amounts received by mortgage brokers from a borrower for paying third-party provided services are exempt from B&O tax.

Purpose

Recognizes the funds passing-through to third parties are not income for the mortgage broker.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.153	$0.178	$0.176	$0.180
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, mortgage brokers may be able to qualify certain third-party costs as advances or reimbursements under WAC 458-20-111. Those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.163	$0.176	$0.180
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Buyers will use a mortgage broker for a home loan 15 percent 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.
- Eighty percent of the third-party fees paid by brokers qualify as pass-through (under WAC 458-20-111).
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Taxpayers using this preference are subject to the Higher Education Surcharge.

Data Sources

- IHS Markit's March 2019 forecast
- Economic and Revenue Forecast Council's March 2019 forecast
- Washington Center for Real Estate Research (WCRER)
- U.S. Census Bureau Building Permits Survey
- Bankrate Closing Costs Survey, May 2017

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:	JLARC completed a full review in 2015

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 (e.g., The University of Washington) are not subject to B&O tax and would not be subject to 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 for sales of transcripts, and thus levels playing field for public and private educational institutions with respect to these sales.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.011	$0.011	$0.012	$0.012
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.010	$0.012	$0.012
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- State would not pay B&O tax on income providing transcripts for students at public colleges and universities, is not a taxable "person" under RCW 82.04.030.
- 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.
- 50% of college graduates order and pay for 5 transcripts @ $10 each.
- 80% of high school students order 4 transcripts @ $2 each.

Data Sources

- Office of the Superintendent of Public Instruction
- Office of Financial Management

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1996
Primary Beneficiaries:	Public and private educational institutions
Taxpayer Count:	295 School districts, 22 4-year & 34 2-year institutions
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.405 - Credit unions - Federal chartered

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.184	$3.800	$3.901	$4.209
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No credit union meets the criteria to pay the additional 1.2 percent additional tax created in SHB 2167 during the 2019 Legislative session.
- Taxpayer savings includes the service and other activities B&O tax plus the higher education surcharge (E2SHB 2158 from the 2019 Legislative session).
- Included credit union taxpayer savings from loans since revenue is not included in the first mortgage deduction.
- Growth rate based on the compound annual growth rate for federally chartered credit union gross income from 2014 to 2018.

Data Sources

- National Credit Union Administration

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Federally chartered credit unions
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.405 - Credit unions - State chartered

Description

Credit unions organized pursuant to state law are exempt from B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$48.308	$59.626	$63.317	$70.640
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.700	$3.200	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on the interest and non-interest revenue sources for credit unions, this estimate grows total revenues by 11.5 percent.
- Credit unions tax savings includes savings from the interest income on first mortgages and if this exemption was repealed, first mortgage interest income would become taxable.
- Tax rate for credit union savings and potential revenues is 1.5 percent service and other B&O rate plus the higher education surcharge.
- No credit unions would meet the criteria for additional financial institutions tax.
- If this exemption was repealed, large and medium sized credit unions would become federally chartered resulting in only 5 percent of the taxpayer savings becoming taxable.

Data Sources

National Credit Union Administration data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	State chartered credit unions
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.408 - Housing Finance Commission

Description

Income received by the Housing Finance Commission is exempt from B&O tax. This income includes fees generated from bond issues 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may possibly increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Only affected entity is a government agency; impact cannot be publicly stated since there is only one entity affected by the statute.

Data Sources

None

Additional Information

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

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.002	$0.002	$0.002	$0.002
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.002	$0.002	$0.002
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Baby chicks currently cost about 65 cents for a day-old chick; an 18-week old pullet costs about $9. Washington farmers spent $2.5 million on chicks and eggs.
- No hatcheries in Washington produce genetically improved chicks on a large scale basis for commercial producers. Most of Washington's commercial egg producers purchase their replacement chicks from out-of-state hatcheries that deliver the chicks to them.
- 20 percent purchased in state.
- No annual growth.

Data Sources

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

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers the produce and sell eggs or poultry for production
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.415 - Sand and gravel for local road construction

Description

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 is exempt from B&O tax. The sand, gravel or rock must be either:

- Placed on a street of the city or county; or,
- 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.200	$0.221	$0.245	$0.271
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.203	$0.245	$0.271
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is eleven percent.
- Sand and gravel used in local construction represents 7.5 percent of government contracting as reported by 70.9 percent of highway, street and bridge construction businesses.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1965
Primary Beneficiaries:	Contractors and municipalities performing road work
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.416 - 2nd Narrows bridge

Description

Income from the operation of state route 16 corridor transportation systems and facilities constructed and operated under Chapter 47.46 RCW is exempt from B&O tax. This statute addresses the second bridge across the Tacoma Narrows. The state contracts with a private firm 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 firm to enter into a contract with the state to operate the facility.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from exemption; impact may not be disclosed.

Data Sources

- Washington State Department of Transportation
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business Incentive
Year Enacted:	1998
Primary Beneficiaries:	Businesses that contract with the state to operate bridge toll facilities
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.418 - Grants to local government

Description

Grants from the state or the United States 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 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- B&O tax exemption under RCW 82.04.419 includes amounts for other governmental grants.
- B&O tax deduction under RCW 82.04.4297 includes amounts for social welfare grants.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Local jurisdictions that have social welfare programs
Taxpayer Count:	3,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.419 - Local government business income

Description

Counties, cities, towns, school districts and fire districts receive a B&O tax exemption.

Public utilities and enterprise activities do not receive a B&O tax exemption. 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$214.000	$223.000	$233.000	$244.000
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$43.000	$49.000	$52.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain types of county, city, town, school district, and fire district income is exempt under other statutes (for example: RCW 82.04.4281, RCW 82.04.4291, and RCW 82.04.4297).
- County, city, town and fire district growth rate is based on the Economic and Revenue Forecast Council's March 2019 forecast for taxable service and other activities B&O.
- Growth rate for school district income is based on ten year average growth rate of school district income.
- For business and occupation taxes, the income under this exemption would be classified as service and other income and the tax rate would be 1.5 percent.
- Taxpayers using this exemption would not be subject to the higher education surcharge.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- State Auditor's Office, Local Government Financial Reporting System data
- Office of the Superintendent of Public Instruction, school district financial data
- Economic and Revenue Forecast Council's March 2019 forecast

82.04.419 - Local government business income

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Counties, cities, towns, school districts, and fire districts
Taxpayer Count:	1,026
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

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

This is a financing mechanism used by the RTA to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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. Internal Revenue Service changed its policy and no longer allows investors to write-off depreciation for federal taxes for sale and leaseback arrangements, so the RTA no longer uses this financing mechanism.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This financing mechanism is no longer used.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Regional transit authority
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

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 firms that sell discount purchase memberships to residents of other states.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues. However, the firm could easily shift its location outside of this state for sales to nonresidents.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no longer any businesses using this tax exemption.

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:	Not reviewed by JLARC

82.04.422(2) - Dealer trades 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.192	$1.231	$1.275	$1.318
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.129	$1.275	$1.318
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- This estimate may be overstated as the repeal of the Dealer Trades deduction may result in additional taxpayers taking a deduction for "Accommodation Sales" (many of these transactions may qualify as both).

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2001
Primary Beneficiaries:	Dealers of new motor vehicles
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.425 - Accommodation sales

Description

Wholesale sales between businesses regularly selling the same type of property are exempt from the wholesaling B&O tax where the sale:

- Is at 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 the wholesaling B&O tax when the parent:

- Sells the goods in a transaction that is exempt under RCW 82.08.0262; and,
- Pays the B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.907	$1.947	$1.989	$2.031
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 are required to pay B&O tax on such sales.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.785	$1.989	$2.031
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 11 months of collections in fiscal year 2021.
- Growth rate assumed is average growth rate for the last five years.
- Data used only includes casual/accommodation sales deductions from businesses with motor vehicle dealer NAICS codes assigned; this could include amounts due to casual sales and could exclude accommodation sales from other industries.
- Estimate may be overstated as the repeal of the Accommodation Sales deduction may result in additional taxpayers taking a deduction for "Dealer Trades" (many of these transactions may qualify as both).

Data Sources

Department of Revenue Fiscal Year 2014-2018 excise tax return data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1955
Primary Beneficiaries:	Wholesalers/retailers
Taxpayer Count:	121
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

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 development of tourism are exempt from B&O Tax.

Purpose

To encourage tourism.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.021	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Incentive impacts one organization, Washington Tourism Alliance (Alliance).
- Legislation passed in 2018 provides funds up to $1.5 million for Fiscal Year 2019 and $3 million per biennium for the Washington Tourism Marketing Authority to enter into a contract with the Alliance.
- Assume the Alliance will receive $1.5 million per fiscal year.
- Public data used to complete this estimate.

Data Sources

http://watourismalliance.com/aboutwta/

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2006
Primary Beneficiaries:	Private organizations that promote tourism
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.426 - Semiconductor microchip manufacturing after $1 billion investment

Description

Firms that semiconductor microchips 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.

To-date the investment criterion has not been met, and is unlikely to occur during the forecast period of this study. If the exemption does become effective, it will expire January 1, 2024.

Purpose

To retain and attract semiconductor firms in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The incentive will not be used because facility investment will not occur during the forecast period of this study.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.193	$0.225	$0.226	$0.238
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.207	$0.226	$0.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington small businesses continue receiving over $25 million in federal small business innovation grants.
- Grant growth mirrors service and other activates B&O growth as forecasted by the Economic and Revenue Forecast Council in March 2019.
- Beginning January 1, 2020, this estimate includes the higher education surcharge for some businesses receiving these grants.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021

Data Sources

- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer Award data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2004
Primary Beneficiaries:	Small businesses
Taxpayer Count:	26
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.032	$0.034	$0.038	$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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.032	$0.038	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Grant growth mirrors scientific R&D B&O growth by the Economic and Revenue Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- National Institute of Health Small business Innovation Research and Small business Technology Transfer Award data
- Economic and Revenue Forecast Council's March 2019 forecast

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; this program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4263 - Life sciences discovery fund

Description

Income received by the Life Sciences Discovery Fund is exempt from B&O tax.

Purpose

To stimulate research and development in the life sciences.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption will not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Life Science Discovery Fund has ceased operations, this entity has no income.
- This results in zero exempt B&O tax.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not Reviewed by JLARC

82.04.4264 - Nonprofit assisted living facilities

Description

Licensed nonprofit assisted living facilities licensed under chapter 18.20 RCW providing room and domiciliary care to residents are exempt from B&O tax on amounts received. A nonprofit assisted living facility is one operated as a religious or charitable organization, is exempt from federal income tax under 26 U.S.C. Sec. 501(c)(3), incorporated under chapter 24.03 RCW, operated as part of a nonprofit hospital, or is 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 the tax liability of nonprofit assisted living facilities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.174	$0.174	$0.174	$0.174
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.159	$0.174	$0.174
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Without this exemption, the B&O rate would be 0.275 percent.

Data Sources

- Economic and Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data
- Department of Social and Health Services

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Nonprofit assisted living facilities
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report 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 cancer research by a comprehensive cancer center as defined in RCW 82.04.4265.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption; impact cannot be disclosed.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.4266 - Fruit and vegetable manufacturing or processing

Description

Businesses that manufacture or process fresh fruits or vegetables are exempt from the business and occupation (B&O) tax. Eligible activities include canning, preserving, freezing, processing or dehydrating of these agricultural products.

The exemption also applies to the activities of wholesaling products manufactured to a buyer that transports the products outside Washington.

"Fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products.

The exemption require an annual survey with the department.

The exemption currently expires on July 1, 2025, at which time these activities will be taxable at a rate of 0.138 percent.

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$17.300	$17.300	$17.300	$17.300
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$15.800	$17.300	$17.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- When the incentive expires, the amount of B&O tax due to be collected at 0.138 percent from manufacturing fresh fruits and vegetables will be minimal because manufacturers are allowed to apply the multiple activities tax credit (MATC) against wholesaling (0.484 percent) and retailing (0.471 percent).
- Revenue impact includes the amount from the exempt wholesale B&O when manufactured goods are sold to a buyer who transports the goods out-of-state.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth factor assumed because the amounts of tax savings in recent past have been consistent.

Data Sources

Department of Revenue excise tax data

82.04.4266 - Fruit and vegetable manufacturing or processing

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Firms that manufacture or process fruits or vegetables
Taxpayer Count:	239
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.4267 - Parking and business improvement areas

Description

A chamber of commerce or similar business association that contracts 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 will not receive a different tax treatment whether administered by a local government or a chamber of commerce.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.438	$0.471	$0.506	$0.544
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.432	$0.506	$0.544
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Average annual growth rate of seven percent.

Data Sources

City 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:	Not reviewed by JLARC

82.04.4268 - Dairy products manufacturing or wholesaling

Description

Manufacturing and wholesaling of dairy product activities to purchasers who either transport out of state or who use dairy products as ingredients or component in the manufacturing of a dairy product. Eligible products include byproducts from manufacturing of dairy products, such as whey and casein. This exemption expires July 1, 2025.

The exemptions require a complete annual survey with the department.

Purpose

To encourage the production of milk and dairy products.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.900	$4.900	$4.900	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.500	$4.900	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth factor assumed because the amounts of tax savings have been relatively consistent.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Dairy businesses
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.4269 - Seafood products manufacturing

Description

Manufacturing of seafood products and selling activities of seafood products to purchasers who transport out of state are exempt from the B&O tax if the seafood remains in a raw, raw frozen, or raw salted state, when the manufacturing process is completed. This exemption expires July 1, 2025.

The exemptions require a complete annual survey with the department.

Purpose

To support the seafood processing industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.500	$3.500	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.200	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The amount of taxpayer savings was reported on the annual survey.
- When the incentive is repealed, the reported savings amount is going to be lost.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth factor assumed because the amounts of tax savings recently have been relatively consistent.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Seafood businesses
Taxpayer Count:	38
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

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 percent of the cost of required pollution control facilities. The total annual credit is limited to 2 percent of the cost of such facilities.

Purpose

To encourage pollution control and to compensate Washington firms for the costs they incur to meet upgraded pollution standards.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would possibly increase revenues. Taxpayers may argue they have a vested right to credits currently being taken authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit; impact cannot be disclosed.
- 100 percent of this credit is taken against B&O tax.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Firms required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum and food products industries
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.497	$0.512	$0.527	$0.543
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.469	$0.527	$0.543
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth of 3 percent per year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

National Center for Charitable Statistics, National Taxonomy of Exempt Entities, Group O, Youth Development, https://nccs-data.urban.org/data.php?ds=bmf

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.04.4272 - Direct mail delivery charges

Description

Sellers may deduct delivery charges made for direct mailings from the B&O tax, provided the purchaser billing lists the charges separately. Direct mail refers to printed material delivered without charge to a mass audience or to a mailing list provided by the purchaser.

Purpose

To clarify the taxation of delivery charges for direct mail costs (e.g., postage).

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.022	$0.023	$0.024	$0.025
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.021	$0.024	$0.025
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- B&O reported retail sales growth rate forecast used for this estimate.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Large mailing customers have their own mailing permits and would not purchase postage for mailing services.
- Large direct mailers service large firms and direct mailers with annual gross income over $1,000,000 would not sell the postage part of mailing services.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	124
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4274 - Nonprofit property management

Description

A B&O deduction is permitted for amounts that:
- A nonprofit property management company receives for compensating on-site employees from the owner of property;
- A property management company receives for compensating on-site employees from a housing authority; or,
- A property management company receives for compensating on-site employees from a limited liability company or limited partnership of which the sole managing member or sole general partner is a housing authority.

Purpose

To treat these amounts as a tax-exempt 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.874	$0.922	$0.970	$1.022
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.845	$0.970	$1.022
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Future growth rate will mirror the growth rate forecast for the services classification of the B&O tax.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- Department of Revenue excise tax data
- Employment Security Department Business Employment data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Nonprofit property managers
Taxpayer Count:	997
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4275 - Child welfare services

Description

Nonprofit health or social welfare organizations may deduct from the B&O tax amounts received as compensation for providing child welfare services under a government-funded program. A person may deduct from the B&O tax amounts received from the state for distributions to such a health or social welfare organization.

Purpose

Lessens the costs of nonprofit health or social welfare organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.093	$1.113	$1.134	$1.155
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.020	$1.134	$1.155
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual growth rate is 2 percent per year.
- 23 percent of child and youth services are non-profit.

Data Sources

- Department of Revenue excise tax data
- Department of Social and Health Services payment data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2011
Primary Beneficiaries:	Eligible nonprofit organizations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4281(1)(a) - Investments by nonfinancial firms

Description

Businesses qualify for a B&O deduction for investment income provided they are not engaged in banking, lending or security businesses.

Purpose

Recognizes that investment income for nonfinancial businesses does not constitute business income.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$269.900	$298.400	$300.100	$311.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues; however, most investment income could move out of Washington. Also, locating all taxpayers with taxable income may be difficult.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$246.100	$285.100	$296.100
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Non-financial businesses include estates, trusts, non-profits, and businesses not engaged in banking, lending or securities.
- The investment income of individuals would be taxed in Washington even if a person created a business outside of Washington to manage the investment income.
- Investment income includes interest, dividends, and net capital gains.
- Non-financial businesses, trusts, and non-profits owing tax of $10,000 or more on investment income will restructure immediately to manage investment income outside of Washington and recoup the cost of restructuring within three years.
- Estates cannot restructure to manage investment income outside of Washington.
- Estates, trusts, and non-profits owing tax on investment income will utilize the small business credit to reduce the tax they owe. Non-financial businesses eligible for the small business credit use the credit against income taxable under current law.
- Interest income and dividend income grow at the national rate of growth for these types of income as forecasted by the Global Insights Division of IHS, Inc.
- Capital gains income grows at the rate used in the capital gains model - either 2.4 percent or a formula based on growth in the 10-year average for equities.

- Washington's portion of national investment income by industry approximates the percentage of employment in Washington in that industry versus the industry's national employment.
- The Department of Revenue can easily notify non-financial firms, non-profits, estates, and trusts of the removal of this deduction.
- The Higher Education Surcharge is applied, using the effective rate across all NAICS codes.
- Non-financial firms are not subject to the additional B&O tax on specified financial institutions (SHB 2167 of 2019).
- Compliance: 90 percent in Year 1; 95 percent thereafter.

Data Sources

- IHS Inc. March 2019 forecast of interest, dividends, and equities
- Department of Revenue excise tax return data, Fiscal Year 2018
- Internal Revenue Service statistics of income
- Internal Revenue Service individual income tax return data, Tax Year 2016
- Internal Revenue Service estates and trusts return data, Tax Year 2016
- Bureau of Labor Statistics employment data by state

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Businesses and individuals
Taxpayer Count:	119,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4281(1)(b,c) - Investment of businesses in related entities

Description

Taxpayers qualify for a B&O tax deduction for amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries.

Taxpayers also qualify for a B&O tax deduction on amounts derived on loans between a subsidiary and a parent or subsidiaries of a common parent if the total investment and loan income is less than five percent of the business' gross income.

Purpose

Encourages capital investment in Washington and provides equal treatment to similarly situated taxpayers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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:	JLARC completed a full review in 2011

82.04.4282(1,2) - Membership dues and fees

Description

Organizations receive a deduction from the B&O tax for bona fide initiation fees and membership dues paid by members solely for the privilege of continuing membership in the club and not for payment of goods or services.

Purpose

Recognizes that initiation fees and membership dues are not the business activity of the organization.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.282	$1.332	$1.384	$1.440
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.221	$1.384	$1.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Only fees and dues paid in which no goods or services received, are included.
- Labor unions report all membership dues and initiation fees to the U.S. Department of Labor.
- Entities whose primary business activity is retailing will report membership dues and initiation fees under retailing B&O tax and collect retail sales tax.
- Growth rate will mirror the B&O and Retail Sales tax growth rate reflected in the March 2019 economic forecast.
- A medium compliance factor is used because there would be both in state and out-of-state taxpayers that would be new to our system. Identifying those taxpayers through enforcement activities is likely to take several years.
- Compliance assumptions for businesses not currently registered and/or reporting:
  - 50 percent revenue collections in Fiscal Year 2017;
  - 60 percent revenue collections in Fiscal Year 2018;
  - 70 percent revenue collections in Fiscal Year 2019; and,
  - 80 percent revenue collections in Fiscal Year 2020 and thereafter.
- This proposal does not affect:
  - Business entities that are sole proprietorships;
  - Artistic or cultural organizations;
  - Social welfare organizations; or,
  - Nonprofit youth organizations.

82.04.4282(1,2) - Membership dues and fees

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast
- U.S. Department of Labor
- U.S. Census data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Organizations who provide a membership solely for social purposes
Taxpayer Count:	875
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2007

82.04.4282(3,4) - Contributions and donations

Description

Organizations may take a B&O tax deduction for amounts received as contributions and donations, provided no goods are sold or services are performed as a condition for receiving funds.

Purpose

Recognizes that donations are the business activity of the organization.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$10.530	$11.104	$11.690	$12.315
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$10.000	$11.690	$12.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate will mirror the B&O tax growth rate reflected in the March 2019 economic forecast.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit entities
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2007

82.04.4282(5) - Tuition and fees

Description

Educational institutions may take a B&O tax deduction for tuition fees and charges. Privately operated kindergartens also receive a B&O tax deduction for charges. Tuition fees defined in RCW 82.04.170 include:

- Fees for library, laboratory, or health services;
- Charges for room and board; and,
- Other special fees, made by an educational institution.

Purpose

Reduces the cost of education provided by schools and colleges.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$9.478	$9.995	$10.522	$11.084
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$9.162	$10.522	$11.084
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror B&O growth tax rate reflected in March 2019 economic forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Private educational institutions
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4282(6) - Trade shows

Description

Nonprofit trade or professional organizations receive a B&O tax deduction for charges to attend trade shows, conventions and educational seminars not open to the general public. The deduction covers admission fees and charges for occupying space.

Purpose

Provides a limited tax break for locally based trade and professional organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.041	$0.043	$0.045	$0.047
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.036	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate will mirror the business and occupation tax growth rate reflected in the March 2019 economic forecast.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	Nonprofit organization
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

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 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Cannot be separated from the total tuition received by schools.
- Deduction is included in the deduction for tuition and fees, RCW 82.04.4282(5).

Data Sources

- Department of Revenue excise tax data
- Office of Superintendent of Public Instruction

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Privately operated kindergartens
Taxpayer Count:	530
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2019

82.04.4282(8) - Endowment funds

Description

There is a deduction from B&O tax for income derived from endowment funds.

Purpose

Recognizes that income derived from endowment funds is not business income.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Amounts claimed under 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

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2005
Primary Beneficiaries:	Groups or organizations that receive endowment funds
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4283 - Cash discounts

Description

Businesses may take a B&O tax deduction for cash discounts taken by purchasers as long as the discount taken was included in the amount of gross revenue reported by the seller.

Purpose

Recognize that cash discounts allowed do not represent income to the seller.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Although taxpayers who use accrual-based accounting report this deduction and thus, experience savings, the state would not achieve revenue gains if the deduction is repealed. Taxpayers using cash basis accounting do not need to use the deduction; they report the actual amount received at the time of sale.
- Taxpayers who use accrual-based accounting would likely switch to cash basis accounting if the deduction is repealed.

Data Sources

Joint Legislative Audit and Review Committee Report 09-11: 2009 Full Tax Preference Performance Reviews (pp. 43-48)

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	7,381
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4284 - Bad debts

Description	Businesses may deduct bad debts from B&O tax. Bad debts do not include: - Property that remains with the seller until the full price is paid; - Debt collection expenses; - Sales or use tax paid to a seller; or, - Repossessed property.
Purpose	Provides equal treatment to taxpayers using cash basis accounting and accrual basis accounting.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$15.665	$16.908	$17.410	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, some taxpayers would change from accrual basis accounting to cash basis accounting resulting in less of a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$15.499	$17.410	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There will be no immediate or significant shift from accrual based accounting to cash based accounting.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- The higher education surcharge applies to some of the taxpayers taking this deduction from service and other activities B&O tax.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	B&O taxpayers; businesses using an accrual accounting system
Taxpayer Count:	4,200
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.4285 - Motor fuel taxes

Description

Motor vehicle fuel wholesalers and retailers may deduct from their B&O tax the amount of state and federal taxes included in the sales price of fuel. These taxes are imposed on distributors and passed on to consumers in the retail price.

The state levies a tax of 49.4 cents per gallon of fuel. The federal government imposes a tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$14.307	$13.470	$14.245	$14.692
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.347	$14.245	$14.692
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the growth rate for oil prices reflected in the March 2019 Economic Revenue & Forecast Council's March 2019 forecast.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Fuel wholesalers and retailers
Taxpayer Count:	1,944
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4286 - Constitutional deductions

Description

Taxpayers may deduct amounts the state cannot tax under Washington's Constitution or the U.S. Constitution. For example Washington cannot tax:
- Sales of firms delivering to other states (including imported goods);
- Sales of firms without nexus in Washington;
- Exported products of retailers and wholesalers; or,
- Indian tribes' or tribal members' business activities in Indian country;

Purpose

Avoids violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1,055.000	$1,130.000	$1,166.000	$1,218.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Washington does not have the power to tax these activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 exemption was repealed.
- Taxpayer savings growth rate mirrors the B&O growth rated reflected in Economic and Revenue Forecast Council's March 2019 forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast
- Washington State Gambling Commission data
- American Gaming Association, The Economic Impact of Tribal Gaming
- Economic Market Study: Casinos, Cardrooms and Other Forms of Gambling in Washington State, Spectrum Gaming Group, September 2016

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Firms engaged in interstate and foreign commerce and Indian tribal enterprises
Taxpayer Count:	38,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.328	$4.501	$4.681	$4.868
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.126	$4.681	$4.868
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- It costs ten percent of the value to process horticultural products.
- Four percent annual growth.

Data Sources

Washington Department of Agriculture, Value of Agricultural Production

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Contractors of farmers who wash, sort and pack horticultural products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.4289 - Nonprofit kidney dialysis, nursing homes, and hospice

Description

Compensation received for patient care and 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; and,
- Homes for unwed mothers operated by religious or charitable organizations.

Purpose

Reduces the cost of caring for patients.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.230	$4.310	$4.400	$4.900
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.950	$4.400	$4.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 2 percent growth per fiscal year.
- No known homes for unwed mothers.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Organizations which operate these facilities and their patients
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2009

82.04.4291 – Services performed between local governments

Description

Local government jurisdictions may deduct income from other political subdivisions as compensation for services subject to B&O tax. These services would otherwise be taxable under the service classification.

Purpose

This deduction allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax liability.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact of deduction is included under the exemption for local government business income, RCW 82.04.419.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Local governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2010

82.04.4292 - Interest on real estate loans

Description

Banking, lending, security and other financial businesses located in ten states or less may deduct interest income earned on loans primarily secured by first mortgages or trust deeds on non-transient residential properties.

Interest includes 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 taxpayer's accounting records according to generally accepted accounting principles.

Purpose

Reduces the cost of purchasing a home in Washington relative to other states.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$108.900	$114.800	$120.900	$127.300
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$105.200	$120.900	$127.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain banks make mortgage loans, but do not report detailed deduction data related to the first mortgage interest deduction (usually because they apportion their income between states). These banks use the deduction at the same rate as banks reporting the deduction detail.
- The ratio between the banks interest income from government obligations and from the first mortgage interest income reported to the Federal Financial Institutions Examination Council approximates the relationship between the deduction for government obligations and the deduction for first mortgages reported in Washington.
- Interest income growth mimics the growth in service and other activities as forecasted by the Economic and Revenue Forecast Council in the March 2019 forecast.
- Financial institutions deducting interest income earned on loans primarily secured by first mortgages deduct this income from the service and other activities B&O tax and the higher education surcharge (E2SHB 2158 from the 2019 Legislative session).

- Certain financial institutions deducting interest income earned on loans primarily secured by first mortgages deduct this income from the additional 1.2 percent additional tax (SHB 2167 during the 2019 Legislative session).
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue, excise tax data
- Federal Financial Institutions Examination Council, call report data
- Federal Deposit Insurance Corporation data
- Home Mortgage Disclosure Act data
- Nationwide Multistate Licensing System, branch data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Retail banks and mortgage companies
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.4293 - Interest from state and municipal obligations

Description

Banking, lending, security and other financial businesses may deduct interest income earned on obligations of Washington, its political subdivisions, and municipal corporations.

Purpose

Provides state tax treatment comparable to federal income tax treatment of state and municipal bonds and reduces the cost of state and local government construction projects financed by bonds.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.842	$3.857	$3.875	$3.895
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.536	$3.875	$3.895
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Economic & Revenue Forecast Council's March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Financial institutions with economic nexus in Washington that hold public bonds
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.04.4294 - Interest on agricultural loans

Description

From B&O taxable amounts, qualifying banks may deduct interest income on loans made to:

- Farmers;
- Ranchers;
- Aquatic product producers/harvesters; or,
- Their cooperatives.

Qualifying banks must be owned exclusively by its members or borrowers and only make loans or provide financial-related services to:

- Farmers;
- Ranchers;
- Aquatic product producers/harvesters;
- Their cooperatives;
- Rural residents for housing; or,
- People furnishing farm-related or aquatic-related services to these individuals or entities.

Purpose

Reduce the cost of loans supporting the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.605	$3.669	$3.706	$3.766
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.360	$3.706	$3.766
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Qualifying banks with loans in Washington totaling more than $57,000 to farmers, ranchers, aquatic product producers/harvesters or their cooperatives would have nexus and owe tax.
- Growth in the producer price index fluctuates greatly in the short term; long term the forecasted growth is minimal. Interest income from qualifying loans will not grow.
- Interest on real estate loans made by qualifying banks would be exempt under RCW 82.04.4292 when the bank has branches or employees in ten or less states.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

82.04.4294 - Interest on agricultural loans

Data Sources

- Farm Credit Administration Banks
- Annual Reports of Farm Credit Administration Banks making loans in Washington
- IHS, Inc. - Global Insights Division's March 2019 forecast of the producer price index for farm products

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1970
Primary Beneficiaries:	Certain banks that make agricultural loans
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

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 this state consist of minor final assembly;
- Minor final assembly does not exceed two percent of the sales value; and,
- 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 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Changes in federal import regulations has resulted in imported truck components no longer being assembled at Washington ports.
- There are no known beneficiaries of this deduction.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1977
Primary Beneficiaries:	Manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.4296 - Funeral home reimbursement

Description

Funeral homes may claim a B&O deduction for amounts received as a reimbursement for expenditures made by the funeral home as an accommodation to persons paying for a funeral. The expenditures must be:

- For goods and services provided by a person not affiliated or associated with the funeral home;
- Billed to the person paying for the funeral at the cost charged to the funeral home; and,
- Itemized separately on the billing statement.

Purpose

To reduce the cost of funerals and simplify the billing of various components of funerals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.035	$0.037	$0.039	$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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.034	$0.039	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers using this exemption are properly reporting as a deduction on their excise tax returns.
- Annual growth rates will mirror the average growth rate for B&O taxes reflected in the Economic & Revenue Forecast Council's March 2019 report.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Funeral homes
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report 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; and,
- 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$107.910	$111.180	$114.500	$117.950
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$101.900	$114.500	$117.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington nonprofits reported almost $64.6 billion in total revenue in Fiscal Year 2016.
- Nationwide, 21 percent of income came from contributions, gifts and government grants.
- Government grants are assumed to be half of these sources, or 11.5 percent.
- 3 percent growth per year.

Data Sources

- National Center for Charitable statistics
- https://independentsector.org/wp-content/uploads/2016/12/Washington.pdf

82.04.4297 - Nonprofit organization government grants

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit organizations that receive government grants
Taxpayer Count:	About 32,000 Washington nonprofits
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4298 - Condominium homeowner maintenance fees

Description

Funds received by cooperative housing associations, condominium associations or residential property associations and used for repair, maintenance, management and improvement of residences and the 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$20.473	$21.212	$21.981	$22.782
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$19.444	$21.981	$22.782
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate of housing units mirrors Office of Financial Management average forecast of housing unit growth.
- 6.3% of households pay a monthly condo fee (American Housing Survey, 2017).
- Condominium association's pay monthly and housing associations pay yearly.
- Average annual condominium fee is $4,356 (Trulia data), $504 for homeowners.

Data Sources

- U.S. Census Bureau, 2018 census data and 2017 American Housing Survey
- Office of Financial Management, 2018 Housing Units forecast
- Trulia, Homeowner Association fee data
- Foundation for Community Association Research, 2018 Community Associations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Cooperative housing associations, condominium associations or residential property associations
Taxpayer Count:	10,450
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$165.700	$184.900	$206.300	$230.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$169.500	$206.300	$230.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (revenue from government programs) growth of 11.6 percent a year.
- 95 percent of government payments to hospitals are to public/non-profit hospitals.
- 80 percent of government payments to hospitals are through managed care.
- Community health centers receive 81 percent of revenue from government.
- Without this preference, the revenues above would be taxed at 1.5 percent.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Health

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:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

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.

Purpose

Collection of sewage is taxable under the state public utility tax. Interception, treatment and disposal of sewerage are subject to the state B&O tax under the service and other activities classification. This deduction eliminates pyramiding of the tax when multiple utilities provide sewage services. Because of the deduction provided by RCW 82.04.4291 (charges for services between political subdivisions of the state), this income is not subject to tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.004	$3.168	$3.335	$3.513
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues as long as legislation also repeals RCW 82.04.4291. Otherwise, there would be no increase in revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.904	$3.335	$3.513
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers with notes regarding political subdivisions are not showing deductions for payments to other municipalities or government agencies.
- Taxpayers are reporting deductions correctly.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021

Data Sources

- Economic & Revenue Forecast Council data, March 2019
- Department of Revenue excise tax data for Fiscal Year 2018

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Washington cities
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.4322 - Arts organizations - Government grants

Description

Nonprofit artistic or cultural organizations, including performing arts groups such as music, theater, dance, and art history museums may claim a B&O tax deduction for amounts received from government grants.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.044	$2.106	$2.169	$2.234
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.930	$2.169	$2.234
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 15 percent of total income is from government grants.
- Three percent growth per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4324 - Arts organizations - Value of items manufactured

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for the value of items manufactured. The contemplated 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.307	$0.317	$0.326	$0.336
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.290	$0.326	$0.336
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 15 percent of business income is due to manufactured items.
- Three percent growth per year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Art cultural organizations that manufacture items
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4326 - Arts organizations - Tuition program charges

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for tuition charges to programs they offer. The contemplated 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.588	$1.635	$1.685	$1.735
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.499	$1.685	$1.735
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Twenty-five percent of business income is from tuition program charges.
- Three percent growth per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4327 - Arts organizations - Income from business activities

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for income from business activities. The contemplated 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.860	$3.010	$3.170	$3.340
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.760	$3.170	$3.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Nonprofit growth will mirror B&O growth.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit artistic, cultural or humanity organizations
Taxpayer Count:	800
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.433 - Fuel used in commercial vessels

Description

Businesses selling fuel to commercial vessels may take a B&O tax deduction for sales of fuel for consumption outside of U.S. territorial waters by vessels used primarily in foreign commerce. This fuel is commonly referred to as bunker fuel. This deduction applies only to B&O taxes on wholesaling and retailing activities, not to manufacturing activities.

Purpose

Treats income from marine fuel sales delivered in Washington for use in vessels conducting foreign commerce the same as income from sales of goods delivered out-of-state, and keeps marine fuel sellers from moving out of Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.588	$4.492	$4.370	$4.293
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.117	$4.370	$4.293
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Oil sales will continue to grow at the forecasted rate provided by the Economic & Revenue Forecast Council's March 2019 forecast.
- Oil prices will stay relatively stable.
- Vessel bunker sales will not be impacted significantly by sulfur fuel restrictions.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- U.S. Energy Information Administration oil sales data
- Washington State excise tax data
- Economic & Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Marine fuel dealers
Taxpayer Count:	26
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

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 insurance firms with a deduction that was available to health care contractors and health maintenance organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This exemption is no longer in use.
- It allowed insurance companies to take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

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:	JLARC completed an expedited report in 2012

82.04.4332 – Tuition fees – Foreign degree-granting institutions

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for tuition charges to programs they offer. The contemplated 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Twenty-five percent of business income is from tuition program charges.
- Three percent growth per fiscal year.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- www.arts.wa.gov
- Urban Institute study

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.4337 - Medicaid payments to assisted living facilities

Description

Licensed assisted living facilities receive a B&O tax deduction for amounts received from Medicaid for residential care.

Purpose

To make the tax treatment of assisted living facilities the same as nursing homes.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.386	$1.388	$1.390	$1.392
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.272	$1.390	$1.392
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Adult assisted living facilities, adult residential care and adult enhanced services are taking full deduction amounts allowed by RCW 82.04.4337.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Department of Social and Health Services client data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities that are organized for-profit
Taxpayer Count:	8,844
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.4339 - Salmon habitat restoration grants

Description

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

Purpose

To encourage restoration of salmon habitat.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.410	$0.410	$0.410	$0.410
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.376	$0.410	$0.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Due to fluctuations in historical grant funding assume zero growth in the future.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Salmon Recovery Funding Board, Estuary and Salmon Restoration Program report, Preliminary 19-21 Investment Plan
- Salmon Recovery Funding Board, 2018 Salmon Recovery Grant Funding report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Nonprofit organizations restoring salmon habitat
Taxpayer Count:	47
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.04.43391 - Commercial aircraft loan interest and fees

Description

This preference provides a business and occupation 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 business and occupational 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 this state.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.063	$1.362	$1.314	$1.315
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.249	$1.314	$1.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 50% of the funds loaned to the Washington-based air carrier is supplied by large "specified" taxpayers who are subject to the additional 1.2 percent business and occupation tax under SHB 2167, which will become effective on January 1, 2020.
- 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

- 2019 Joint Legislative Audit and Review Commission Tax Preference Review
- Various online sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Out-of-State financial institutions making loans to purchase airplanes for Washington-based companies
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.04.43392 - Dispute resolution services

Description

A qualified dispute resolution center may take a B&O tax deduction for amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. Nonprofit organizations may also take this deduction for amounts received from federal, state, or local governments for distribution to a qualified dispute resolution center.

Purpose

To provide relief to taxpayers using governmental or nonprofit funding to engage in dispute resolution services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers; impact is confidential.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2012
Primary Beneficiaries:	Dispute resolution centers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43393 - Paymaster services for affiliates

Description

Employers providing paymaster services to an affiliate may deduct from B&O tax amounts received to cover employee costs for a qualified employee. Employee costs from a contractual obligation to provide services do not qualify for the deduction. A qualified employee is an employee with whom the affiliate has a functional employment relationship.

Purpose

Ensures affiliated businesses do not incur additional tax burden when streamlining the payroll process.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.464	$2.795	$2.730	$2.814
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, paymasters may be able to restructure and qualify under WAC 458-20-111 to treat payments received for wages and benefits as advances or reimbursements. Those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.562	$2.730	$2.814
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain paymasters would restructure and use the PEO exemption (RCW 82.04.540(2)) or WAC 458-20-111. This estimate assumes 1 out of 3 paymasters restructure before July 1, 2020 and use the PEO exemption or WAC 458-20-111.
- All paymasters report on the combined excise tax return and use a deduction to report employee costs.
- Employee costs will grow at the same rate as wages forecasted by the Economic and Revenue Forecast Council.
- Taxpayers using this preference are subject to the Higher Education Surcharge.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Employers providing paymaster services to an affiliate
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395 - Accountable communities of health

Description

Accountable Communities of Health (ACH) may take a B&O tax deduction for delivery system reform incentive payments distributed by the Health Care Authority through Medicaid demonstration project number 11-W-00304/0, as described in Sec. 1115 as approved by the centers for Medicare and Medicaid services in accordance with Sec. 1115(a) of the Social Security Act.

For the purposes of this deduction, an ACH is an entity designated as a community of health under RCW 41.05.800, or any other ACH authorized by the Health Care Authority as part of Sec. 1115 Medicaid demonstration project number 11-W-00304/0.

Purpose

To promote a more consistent tax structure 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.711	$1.711	$1.711	$1.711
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.568	$1.711	$1.711
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No annual growth.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.
- Businesses are not subject to the B&O workforce education surcharge.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395(2) - Hospital delivery system reform incentive payments

Description

Certain hospitals may take a business and occupation tax deduction for income from delivery system reform incentive payments received through Medicaid demonstration project number 11-W-00304/0, as described in Sec. 1115, approved by the centers for Medicare and Medicaid services 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 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No businesses currently qualify for the tax exemption.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395(2)(a) - Hospital incentive payments received through medicaid quality improvement program

Description

Certain hospitals may take a business and occupation (B&O) tax deduction for income received as incentive payments received through the Medicaid quality improvement program established through C.F.R. 438.6(b)(2), as it existed on July 28, 2019.

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.703	$1.703	$1.703	$1.703
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.561	$1.703	$1.703
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Zero growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are not subject to the workforce education surcharge.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43395(3) - Managed care organization incentive payments

Description

Managed care organizations may take a business and occupation 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" has the same meaning as provided in RCW 74.60.010.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.711	$1.711	$1.711	$1.711
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.568	$1.711	$1.711
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assuming zero growth.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are not subject to the workforce education B&O surcharge.

Data Sources

Washington State Health Care Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Healthcare industry
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.43396 - Scan down allowances

Description

Sellers may take a service and other business and occupation (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:

- 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 of time;
- The seller knew the terms of the offer before making the sales that generated the payment or credit from the manufacturer or wholesaler; and,
- The seller is not required to provide any services to the manufacturer or wholesaler or engage in any business activities directly or indirectly benefiting the manufacturer or wholesaler, in order to receive the payment or credit from the manufacturer or wholesaler.

"Product" is defined as:

- Food and food ingredients that are defined in RCW 82.08.0293, whether or not exempt from sales tax under RCW 82.08.0293; and,
- Pet food and specialty pet food as defined in RCW 15.53.901.

This bill specifies that a requirement that the seller sell at a certain retail price or a specific price reduction does not constitute either:

- A service provided by the seller to the manufacturer or wholesaler; or,
- A business activity directly or indirectly benefiting the manufacturer or wholesaler.

Purpose

To resolve an issue regarding the application of business and occupation tax law. This also lowers taxes for grocers, grocer manufacturers, and grocer wholesalers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.000	$2.500	$2.500	$2.600
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.292	$2.500	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.43396 - Scan down allowances

Assumptions

- This exemption took affect 90 days after the 2019 legislative session adjournment; there are 10 months of taxpayer savings in Fiscal Year 2020.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- These businesses are not subject to the workforce education surcharge.

Data Sources

- U.S. Census data
- Washington State Economic and Revenue Forecast Council November 2018
- Department of Revenue excise tax data
- "Slotting Allowances in the Retail Grocery Industry: Selected Case Studies in Five Product Categories." November 2013
- Statista.com

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Grocery sellers and wholesalers
Taxpayer Count:	11,030
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.434 - Testing and safety labs

Description

Nonprofit corporations providing public safety services and information to the state of 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; and,
- Not charge the state for the provided services.

Purpose

Encourages businesses that provide public safety services to locate in Washington and ensure these services are available for the safety of Washington residents.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms that purchase electric power directly from the BPA
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.440(2,3) - Multiple activities tax credit - Instate

Description

Businesses that engage in multiple taxable activities in Washington with respect to a product may take a credit so that tax is effectively paid for only one of the activities. For example, a business that manufactures and/or extracts and also 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 that businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$252.100	$259.700	$269.000	$278.400
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$238.000	$269.000	$278.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Credit grows at the rate of growth in manufacturing B&O as forecasted by Economic and Revenue Forecast Council.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1987
Primary Beneficiaries:	Businesses conducting multiple activities in Washington
Taxpayer Count:	10,706
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

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 that businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.700	$1.800	$1.800	$1.900
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.600	$1.800	$1.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Credit grows at the rate of growth in manufacturing B&O as forecasted by Economic and Revenue Forecast Council.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1985
Primary Beneficiaries:	Businesses conducting multiple activities in Washington and other states with a gross receipts tax
Taxpayer Count:	33
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.4451 - Small business credit

Description

Qualifying businesses may take a credit against B&O tax due of up to $35 per month. The credit phases out as the B&O tax liability exceeds $35, phasing out completely when the tax due exceeds $70. For service businesses, the monthly credit is $70. This credit phases out as the B&O tax liability exceeds $70, phasing out completely when the tax due exceeds $140. The Department provides credit tables for use by all taxpayers, which applies the credit in $5 increments.

Purpose

To provide tax relief to small businesses and encourage the growth of new firms.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$54.948	$57.264	$59.663	$62.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$52.492	$59.663	$62.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

None.

Data Sources

- Department of Revenue excise tax data
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Small businesses
Taxpayer Count:	281,000
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.44525 - International services credit

Description

International service businesses receive a $3,000 B&O tax credit for each new job they create. Eligible activities include computer, legal, accounting, engineering, architectural, advertising, financial, and other services. Qualifying businesses must be located in a community empowerment zone (CEZ) or in a city (or group of neighboring cities) with a population of at least 80,000 having the same characteristics as a CEZ.

Purpose

Attracts and retains businesses that create jobs and provide services to international customers.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.057	$0.060	$0.063	$0.067
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.055	$0.063	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers using the international services credit report most of their B&O tax under the service and other classification.
- Growth in the credit mimics growth in the taxable service and other activities as forecasted by the Economic and Revenue Forecast Council.
- Taxpayers use the credit reported in a calendar year equally each month.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	International service business in CEZ or area like CEZ
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.04.4461 - Aerospace pre-production expenditures

Description

Businesses engaged in aerospace product development are eligible for a B&O tax credit equal to 1.5 percent of qualified expenditures. Qualified expenditures include research, design and engineering costs incurred in the development of aerospace products but do not include actual production-related costs. Commercial airplane and component manufacturers 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 reporting under the tax rate 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$104.100	$111.100	$114.700	$115.200
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$101.900	$114.700	$115.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate used is the "industrial production index for aerospace products and parts" from the Economic and Revenue Forecast Council's March 2019 forecast.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes or components
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

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 constructed after December 1, 2003, used exclusively to manufacture commercial airplanes or components. The credit is also available for leasehold excise taxes paid on land and buildings constructed after January 1, 2006, used exclusively for the same purposes.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them;
- Increased value due to facility renovation or expansion; and,
- 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; and,
- Computer hardware, peripherals and software.

This credit expires July 1, 2040.

A person reporting under the tax rate 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$40.700	$43.400	$44.800	$45.000
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$39.800	$44.800	$45.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4463 - Commercial airplane manufacturing - Credit for taxes paid

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate used is the "industrial production index for aerospace products and parts" from the Economic and Revenue Forecast Council's March 2019 forecast.

Data Sources

- Department of Revenue credit data
- Snohomish County Assessor's Office
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes and components
Taxpayer Count:	26
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

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 tax credit may be used 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Assuming some businesses take the credit, repealing the exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - New jobs credit

Description

Businesses may take a credit of $3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials. Businesses may take the credit in the calendar year the position is filled and up to eight consecutive years if the position is maintained. 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.

To date, the investment criterion has not been met and is unlikely to occur during the forecast period of this study. If the credit were to become effective, it would expire January 1, 2024.

Purpose

To retain and attract semiconductor firms in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Incentive will not be used because the necessary facility investment will not occur during the forecast period of this study.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.4481 - Aluminum smelter credit for property taxes paid

Description

Direct service industrial customers may take a credit against the B&O tax for the amount of property taxes paid on aluminum smelters during a calendar year. The credit may be:

- Carried over for one year; and,
- Taken for property taxes paid after July 1, 2004, through calendar year 2026.

Purpose

Provide tax relief to the state's aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The revenue impact cannot be disclosed since fewer than three taxpayers benefit from this exemption.
- The full amount of credit is taken in Fiscal Year 2018 for taxes levied for collection in calendar 2018.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

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. Because most sellers of power are subject to public utility tax and not B&O, this tax incentive applies principally to sellers of brokered natural gas

Purpose

Preserve family-wage jobs in rural communities where unemployment rates are high, and sustain the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.4486 - Tax paid on carbonated beverage syrup

Description

Persons that pay the syrup tax when buying carbonated beverage syrup may claim a B&O tax credit if the person:

- Uses the syrup to make carbonated drinks; or,
- 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 canned or bottled beverages.

Purpose

To provide tax relief for persons that mix carbonated beverages on-site.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$4.134	$4.441	$4.372	$4.305
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$4.070	$4.372	$4.305
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers paying carbonated beverage syrup tax have sufficient B&O tax liability to utilize the full amount of syrup tax paid.
- 11 months of collections in Fiscal Year 2021, the effective date is July 1, 2020.
- Growth in revenue based on previous five years B&O tax credits for carbonated beverage tax paid.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that prepare, sell carbonated beverages for consumption on-premises, firms manufacturing non-trademarked beverages
Taxpayer Count:	2,300
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2016

82.04.4489 - Motion Picture Program contributions

Description

Businesses making contributions to the Washington motion picture competitiveness program may take a B&O tax credit equal to 100 percent of the contributions, with an annual cap of $750,000 for each contributor. The total, statewide credit cap is $3.5 million a year. No credit may be earned for contributions made after June 30, 2027.

Purpose

To support the motion picture industry and encourage production of motion pictures, television programs and commercials in this state.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$3.500	$3.500	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$3.500	$3.500	$3.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The annual statewide credit cap has been reached each year during the existence of this credit, assume the annual statewide credit cap will continue to be met.
- Effective date is July 1, 2020, with full year impact due to credit allowed to be utilized entire year.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Motion picture companies
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.449 - Workforce training costs

Description

A B&O tax credit is allowed for half of the cost of customized workforce training paid by employers to the State Board for Community Colleges. No credit is allowed after June 30, 2021.

Purpose

Facilitates training of new employees for new or expanding businesses.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.081	$0.081	$0.081	$0.081
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.074	$0.081	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Due to variation in total credit reported each fiscal year, the future fiscal year impact is the average credit amount for the past five fiscal years and remains constant.

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:	15
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O tax or PUT 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 percent 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 fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent 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; is less than ten years past the original manufacturing date; is modified after the initial purchase with a United States environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; 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 State 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 percent 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. The credit for infrastructure is limited to $2 million dollars annually.

On September 1 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 dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.650	$0.750	$0.870	$0.990
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 exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.688	$0.870	$0.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Based on credit taken, annual growth is 15% and includes the alternative fuel infrastructure.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing commercial clean alternative fuel vehicles or converting used commercial vehicles principally powered by clean alternative fuel
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O tax or PUT 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 percent 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 fifty percent of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50 percent 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 ten 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 State 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 percent 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 dollars annually.

On September 1 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 dollars. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuels, as well as install alternative fuel infrastructure which is in line with the state's climate and environmental goals.

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Unable to separate the credit relating to alternative fuel vehicle infrastructure from the commercial vehicles. See RCW 82.04.4496(1) revenue details.

Data Sources

Department of Revenue excise tax returns

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.4498 - Hiring veterans

Description

This preference provides employers a B&O tax credit for hiring unemployed veterans. No business may claim a credit against both B&O tax and PUT for the same employee.

The credit equals 20 percent of wages and benefits paid up to a maximum of $1,500 for each qualified employee hired on or after October 1, 2016. No credit may be claimed until a qualified employee has been employed for at least two consecutive full calendar quarters.

The total statewide credit cap is $500,000 per fiscal year. Credits can be earned through June 30, 2022. No credits can be claimed after June 30, 2023.

Purpose

Encourage businesses to hire veterans.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.163	$0.252	$0.390	$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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.231	$0.390	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers continue to learn about the credit and this increase the credit approved by 38 percent each year through Fiscal Year 2022.
- Taxpayers continue to take approximately 55 percent more credit each year through Fiscal Year 2022 and take the remaining credit in Fiscal Year 2023.

Data Sources

Department of Revenue excise tax credit data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Business that hire veterans and veterans
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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

Excludes pass-through payroll expenses from B&O tax.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.549	$0.564	$0.579	$0.595
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, if the PEO can show wages and benefits are advances or reimbursements under WAC 458-20-111 then those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.517	$0.579	$0.595
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Deduction notes on excise tax returns referencing employee costs, wages, pass-through, or PEOs actually mean the taxpayer intends to take the PEO deduction.
- Certain types of PEOs would restructure and use the paymaster deduction (RCW 82.04.43393) or WAC 458-20-111. This estimate assumes 2 out of 3 PEOS restructure and use the paymaster deduction or WAC 458-20-111.
- Taxpayers using this preference are not subject to the Higher Education Surcharge.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2006
Primary Beneficiaries:	Professional employment organizations
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

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 2020	FY 2021	FY 2022	FY 2023
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 increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on the Department's data, no taxpayers are taking this credit.
- A business is in the permitting process to build a silicon smelter facility in Pend Oreille County, completion date is unknown.

Data Sources

- Department of Ecology
- Pend Oreille Economic Development Council

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:	Not reviewed by JLARC

82.04.600 - Printing by counties, cities, school districts, and libraries

Description

Provides an exemption from B&O tax for printing done by libraries, counties, cities, towns, school districts, and educational service districts libraries where:

- Material is printed in the jurisdiction facility; and,
- Printing is used exclusively for jurisdiction purposes.

Purpose

Reflects the legislative policy of not taxing nonproprietary activities of public entities.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.081	$0.082	$0.083	$0.084
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.075	$0.083	$0.084
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

11 months of collections in Fiscal Year 2021 with July 1, 2020, effective date.

Data Sources

- Institute of Museum and Library Services
- Washington State Office of the Superintendent of Public Instruction
- Washington State Secretary of State

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:	JLARC completed an expedited report in 2011

82.04.601 - Cigarette stamping

Description

Reimbursement wholesalers and retailers receive from the state for affixing tax stamps on packages of cigarettes is exempt from B&O tax.

Purpose

Historically, cigarette wholesalers and retailers did not pay tax on such reimbursement. This exemption codified pre-existing practices.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.003	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.003	$0.003	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Average annual stamping compensation of both regular and roll-your-own cigarettes total $700,000.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Cigarette wholesalers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.610 - Interstate commerce - Import and export shipments

Description

The sale of tangible personal property in import commerce does not receive an exemption from B&O tax. An exception is provided for wholesale sales of personal property in import commerce when:

- The wholesale sale is of unroasted coffee beans; or,
- The wholesale sale is between a parent company and a wholly-owned subsidiary.

The sale of tangible personal property in export commerce receives an exemption from B&O tax. The export exemption applies to items the seller delivers to a:

- Buyer in a foreign country;
- Carrier consigned to transport the item to a foreign country;
- Buyer at shipside if it is clear that the export process has commenced; or,
- Buyer in this state if the seller files an export declaration and the buyer immediately transports the item to a foreign country (except for motor vehicles).

Purpose

Codifies the Department's interpretation of imports and exports in the stream of commerce, as reflected in WAC 458-20-193C.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$29.224	$38.269	$47.932	$58.033
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, a repeal of this exemption and WAC 458-20-193C would likely result in litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$16.831	$29.681	$41.583
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 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.
- Due to the volatility found from year to year, this estimate assumes three percent growth into the future.
- This estimate assumes taxpayers, when able, will move their delivery destination to keep their products in the federal stream of commerce. Therefore a low level of compliance is assumed.

- Compliance:
  - 13 percent revenue collections in Fiscal Year 2021;
  - 26 percent revenue collections in Fiscal Year 2022;
  - 39 percent revenue collections in Fiscal Year 2023; and,
  - 52 percent revenue collections in Fiscal Year 2024 and thereafter.
- An effective date of July 1, 2020, results in 11 months of cash collections for Fiscal Year 2021.

Data Sources

- Employment Security data
- Department of Revenue data
- Federal business tax return statistics

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Firms that ship products across Washington's boundaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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; or,
- 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers use this tax preference, and the revenue impacts cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public development authorities
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.925	$2.006	$2.090	$2.177
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.839	$2.090	$2.177
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Eleven months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Doctors, clinics and their patients
Taxpayer Count:	38
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.625 - 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. This exemption expires December 31, 2020.

Purpose

To provide tax relief to persons performing custom farm services for their relatives.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.025	$0.025	$0.025	$0.025
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.023	$0.025	$0.025
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Number of taxpayers benefiting from B&O exemption for custom farming services fluctuates from year to year.
- Over the last 3 Fiscal Years, average taxpayer savings was $8,400 per Fiscal Year.
- On average, 3 taxpayers claim the custom farming services exemption.
- No growth over time.
- July 1, 2020, effective date, with 11 months collections in Fiscal Year 2021.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Persons that provide custom farm services for their relatives
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

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.

The practical effect of this statute is that parts sold by Washington sellers for delivery to out of state locales are exempt from the state B&O tax so long as these criteria are met.

Purpose

To give incentives to commercial airplane manufacturers to locate and produce products in Washington.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.329	$0.351	$0.362	$0.364
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.322	$0.362	$0.364
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

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:	JLARC completed a full review in 2019

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Description

This is an exemption for a business and occupation (B&O) tax on wholesale sales made by an "eligible distributor" of commercial fertilizer, agricultural crop protection products, and seed, 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 and who have an ownership interest in the wholesaler.

"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 five percent ownership interest in an entity that holds at least a fifty percent ownership interest in an eligible distributor.

"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.

The exemption does not apply to other distributors.

This provision will not expire.

Purpose

The tax preference is intended to reduce structural inefficiencies in the tax structure.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Assumptions

Fewer than three taxpayers use this tax preference; impact cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Eligible wholesaler of fertilizer and agricultural crop protection products to eligible retailers
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.434	$0.457	$0.482	$0.507
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.419	$0.482	$0.507
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Growth rate mirrors the B&O growth rate for the March 2019 forecast.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2009
Primary Beneficiaries:	Law firms providing legal services to low-income persons
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayer's benefits from this preference; impact cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	The Association and indirectly, children of the state
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.04.645 - Financial institution affiliate income

Description

Financial institutions receive an exemption from B&O tax on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B).

Purpose

Encourages affiliate transactions involving banks.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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 2020	FY 2021	FY 2022	FY 2023
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.

Data Sources

- Instructions and form for Consolidated Report of Condition and Income reports
- Department of Revenue, Intercompany Transactions Report, 2012

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:	JLARC completed an expedited report in 2017

82.04.650 - Financial institution investment conduit or securitization entity income

Description

Investment conduits and securitization entities receive a B&O tax exemption for cash and securities.

Purpose

Avoids taxing the same revenue more than one time, and clarifies that the activities of investment conduits and securitization entities are not subject to taxation.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$13.200	$14.000	$13.600	$13.600
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$12.800	$13.600	$13.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- No growth assumed for the next five years.
- Assets are held for 33 percent of the year.
- The higher education surcharge is effective January 1, 2020. Taxpayer savings for Fiscal Year 2020 were adjusted to five months of collections.
- Taxpayers using this preference are subject to the Higher Education Surcharge and the additional B&O tax on Specified Financial Institutions.

Data Sources

- Securities information from the Securities Industry and Financial Markets Association
- Financial sector contributions to gross domestic product (GDP), from the Bureau of Economic Analysis
- Federal Home Loan Mortgage Corporation mortgage rates

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Real estate lenders and their customers
Taxpayer Count:	33
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.04.655 - Joint municipal utility authority

Description

Joint municipal utility services authorities are exempt from the B&O tax on any payments between, or any transfer of assets to or from, another joint municipality utility service authority and any of its members.

Purpose

Reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemptions; revenue impact may not be disclosed.

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 taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.660 - Environmental handling charges

Description

Environmental handling charges are exempt from B&O tax. RCW 70.275.020 defines environmental handling charges as the charge applied to each mercury-containing lights sold at retail in or into the State of Washington.

Purpose

The environmental handling charge is collected on retail sales of mercury-containing light sold in or into the state of Washington. The charge is designed to provide revenue to cover all administrative and operational costs associated with the stewardship program described in RCW 70.275.030.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.005	$0.004	$0.004	$0.003
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.004	$0.004	$0.003
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collection in Fiscal Year 2021.
- Sales of mercury-containing lights are declining annually by an average of 40 percent.
- Program is projected to phase out by Fiscal Year 2025 due to decrease in sales.

Data Sources

- LightRecycle Washington annual reports 2015 – 2018
- Department of Ecology, Washington State Mercury-Containing Lights Product Stewardship Plan

Additional Information

Additional Information	
Category:	Business & Occupation Tax
Year Enacted:	2015
Primary Beneficiaries:	Persons selling mercury-containing light bulbs
Taxpayer Count:	2,200
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 meals to their employees without charge and without having to report B&O tax on the equivalent amount of income.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.254	$0.263	$0.272	$0.281
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.031	$0.035	$0.037
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Compliance rate of 13 percent for revenue collections in all Fiscal Year.

Data Sources

- U. S. Bureau of Labor Statistics
- May 2017 State Occupational Employment and Wage estimates
- Washington, Food Preparation and Serving Related Occupations, Occupation code 35-0000
- Washington State Economic and Revenue Forecast Council March 2019 forecast
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	19,327
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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 business and occupation 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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.008	$0.008	$0.008	$0.008
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.007	$0.008	$0.008
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- Annual grant amount fluctuates based on the annual litter tax collected and distributed per RCW 70.93.180; annual distribution amount was set the same for each year.

Data Sources

Department of Ecology

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Nonprofit and local government entities
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.756 - Marijuana grown or marijuana products manufactured by a cooperative

Description

Beginning on July 1, 2016, cooperatives may be formed to grow marijuana and manufacture marijuana products. The state business and occupation tax does not apply to a cooperative's activities with respect to growing marijuana, or manufacturing marijuana concentrates, useable marijuana, or marijuana-infused products.

Purpose

Cooperatives are intended to provide small amounts of medical marijuana to members and may not sell product to members or others and there is no intent to tax this activity.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase tax revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Since there is no way to determine future numbers and activities of cooperatives, this estimate is indeterminate.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Nonprofit, other organizations
Year Enacted:	2015
Primary Beneficiaries:	Cooperative medical marijuana growers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.04.765 - Architectural paint assessment (description updated June 2021)

Description

A fee is added to the purchase price of paint to fund the operation of the paint stewardship program. The program collects, transports and properly disposes leftover architectural paint. The fee is exempt from business and occupation tax.

Purpose

To fund the operation of the paint stewardship program for proper disposal of architectural paint.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.028	$0.050	$0.052
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.024	$0.050	$0.052
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Earliest fee assessment will begin December 1, 2020, resulting in 6 months impact in Fiscal Year 2021.
- Fee revenue will grow three percent annually.

Data Sources

Paintcare.org, Colorado and Oregon annual reports

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	Businesses and consumers who need to dispose of architectural paint properly
Taxpayer Count:	900
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.045(4) - Minimum to file excise tax return

Description	Firms whose gross income is less than $28,000 annually ($46,667 for service firms) are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax or any other tax or fee which the Department is authorized to collect.
Purpose	To reduce administrative costs for taxpayers and the Department of Revenue.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
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. In its absence, taxpayers would have to file returns but still would have no B&O tax liability due to the small business credit.

Potential revenue gains from full repeal

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The tax savings of this tax preference 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:	JLARC completed an expedited report in 2015

82.32.055 - Active duty military penalty waiver

Description

Business owners in the military may request a waiver of interest and penalties for late payment of excise taxes if they are:
- On active duty;
- In an armed conflict; or,
- Assigned to a location outside of the U.S.

Purpose

Provides economic relief to families of active duty service members.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are fewer than three taxpayers that benefit from this preference each year, and the impacts cannot be disclosed.

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 taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.32.531 – Trade convention attendance/nexus

Description

When determining substantial nexus with Washington State for the purpose of the B&O tax and the retail sales and use taxes, the Department of Revenue may not consider the mere attendance of a business at a single trade convention per year in Washington when determining if a business is physically present. This exclusion does not apply if the business makes retail sales at the trade convention.

Purpose

To encourage participation in Washington trade conventions.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
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 2020	FY 2021	FY 2022	FY 2023
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 businesses it may apply to, the revenue impacts for this estimate are indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2016
Primary Beneficiaries:	Out of state businesses which attend one trade show per year
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

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; or,
- 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; or,
- $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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.300	$1.300	$1.300	$1.300
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.192	$1.300	$1.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.
- 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:	Manufacturing, R&D, and computer service firms in rural areas
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

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 public utility tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure;
- Limited to $60 per employee per year; and,
- Limited to $100,000 each fiscal year.

The program has an annual cap of $2.75 million for both B&O and public utility tax credits, and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

Purpose

An incentive for employers to make financial incentives available to their employees to encourage car-pooling and reduction of air pollution, traffic congestion, and fuel consumption.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$2.640	$2.640	$2.640	$2.640
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$2.420	$2.640	$2.640
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Maximum total program credit allowed per year is $2,750,000 combined between the business and occupation and public utility taxes.
- Estimate is for the business and occupation tax portion only.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.

Data Sources

Department of Revenue credit data

82.70.020 - Commute trip reduction credit

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting options
Taxpayer Count:	500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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 business and occupation tax credit or public utility tax credit.

The credit is either:

- 75 percent of the approved contributions made to a Main Street Program; or,
- 50 percent of the approved contributions to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $2.5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	$1.940	$1.940	$1.940	$1.940
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 2020	FY 2021	FY 2022	FY 2023
State Taxes	$0.000	$1.780	$1.940	$1.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2020, effective date results in 11 months of cash collections for Fiscal Year 2021.
- Annual combined credit reported under B&O and PUT tax is capped at $2.5 million.
- Approximately 77 percent of the annual credit is taken against B&O tax with the rest against PUT, this ratio remains constant for future years.
- Estimate reflects the B&O tax credits.

Data Sources

Department of Revenue excise tax returns

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses that participate in commercial area revitalization
Taxpayer Count:	270
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016