

# 2018 TAX REFERENCE MANUAL

Information on Select State and Local Taxes  
in Washington State

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# 2018 Tax Reference Manual

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# INTRODUCTION

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## WHAT IS THIS REPORT?

This report provides comprehensive background information on each of over 40 tax sources used by state or local governments in Washington. The report was prepared by the Research and Fiscal Analysis Division of the Washington State Department of Revenue (DOR). It updates a similar synopsis of taxes last published by the Department in December 2016.

The Tax Reference Manual provides a general description and historical information on these tax sources. It is not intended to be a guide to taxpayers for reporting any tax liability. Thus, it contains neither legal interpretations of state tax law nor instructions to taxpayers. **Taxpayers are cautioned that tax laws and tax rates can change; the information provided in this report should not be used for reporting any tax liability.**

## WHAT IS NEW FOR THIS YEAR?

The 2018 publication is a minor update that reflects tax changes that have occurred in the last two years. The new format that was introduced with the 2016 publication has been retained and includes the following features:

- The publication has been streamlined – The chapter formatting has been updated so that important information is now in a concise, easy to read outline format with both fiscal information and history presented in reverse chronological order so the reader can easily see the most recent information first.
- The publication has been shortened – This publication now contains fewer chapters and rather than repeating information that is available in other DOR publications, links to this material are now provided.
  - Taxes that have been detailed in DOR’s [Local Tax Reference Guide](#) have been omitted from this publication.
  - Detailed information about exemptions, deductions, and credits for various taxes that are thoroughly explained in DOR’s [Tax Exemption Study](#) have been omitted from this publication.
- The publication is provided in electronic only format – This document is now published on-line only. This allows for lower costs and the ability to provide hyper-links throughout the document for the ease of the reader.

# INTRODUCTION

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## CHAPTER OUTLINE

The following is a detailed explanation of the eight sections that have been included for each tax chapter in this publication.

### RCW

This is the relevant reference(s) to the Revised Code of Washington, which is the compilation of all permanent laws now in force in Washington State.

### Tax Base

This section explains what is taxable, or the measure of the tax. This section also includes a link to the [Tax Exemption Study](#) where relevant. Please note that the term tax exemption includes a variety of preferences that reduce tax liability for taxpayers. Tax exemptions include:

- Exclusions
- Deductions
- Credits
- Deferrals
- Preferential tax rates
- Exemptions

### Tax Rate

The tax rate is the percentage or fixed dollar amount which determines the amount of the tax liability. When the tax rate is multiplied by the tax base, the product is the amount of tax that is due.

### Recent Collections (\$000)

Collections represent the amount of revenue collected, net of credits and refunds, and is shown by state fiscal year (July 1 through June 30) for each state tax for the most recent ten-year period. Values are presented in thousands of dollars (\$000). To convert to dollars, these values may be multiplied by 1,000. For taxes administered by DOR, collections information has been compiled from DOR's [Tax Statistics](#) publication. For taxes administered by other state agencies, collections information has been reported as provided to DOR by these agencies. Local tax information may be available from various local sources that have been indicated. Percent change represents a simple year-over-year percentage computation.

Percent of all state taxes is included only to show relative magnitude, taxes included in this publication may or may not be included in the total value of "All State Taxes" and these may not sum to 100% of the total. For reference, the following values of "All State Taxes" have been used to compute the percentages included in this publication.

# INTRODUCTION

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Fiscal Year	All State Taxes (\$000)
2018	\$21,101,557
2017	\$19,240,785
2016	\$18,119,024
2015	\$16,869,950
2014	\$16,027,158
2013	\$15,332,993
2012	\$14,434,721
2011	\$14,274,259
2010	\$13,404,822
2009	\$15,291,367

**Distribution of Receipts**

This section describes the use of the revenues produced by each tax, including any dedicated revenues to specific funds.

**Levied by**

This section indicates which governmental jurisdictions are authorized to impose the tax.

**Administration**

This section indicates the administering state or local agency, along with a brief description of who pays the tax and in what manner.

**History**

This section includes a brief explanation of selected historical developments for each tax. This list of events may not be comprehensive and is provided in reverse chronological order for ease of reading.

**OTHER WASHINGTON STATE TAX INFORMATION**

Previous editions of this publication included some additional information in the introduction of the report about Washington State’s tax system. Much of this information is available in other DOR publications:

- [Comparative State and Local Taxes](#)
- [Local Tax Reference Guide](#)
- [Property Tax Statistics](#)
- [Tax Statistics](#)
- [Washington Tax Collections as a Share of Personal Income](#)

# INTRODUCTION

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Additional DOR statistical reports, data, and interactive data visualizations may be found on DOR's main page for [statistics and reports](#).

## ACKNOWLEDGEMENTS

In preparing this report, the Research and Fiscal Analysis Division would like to acknowledge the assistance and information provided by many persons, including staff of the following state agencies:

- Department of Labor and Industries
- Department of Licensing
- Department of Transportation
- Employment Security Department
- Horse Racing Commission
- Liquor and Cannabis Board
- Office of the Insurance Commissioner

Additionally, many persons throughout the Department of Revenue assisted in completing the project; their expert assistance is gratefully acknowledged.

# Aircraft Excise Tax

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**RCW** Chapter 82.48

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**Tax Base** Aircraft used within the state.

The tax applies to private owners of small planes used for personal or business purposes.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** The tax consists of an annual fee based on the type of aircraft, except for aircraft owned and operated by a commuter air carrier that is not an airplane company, who are required to pay an annual fee based on weight.

Type of aircraft based fee schedule:

Type of Aircraft	Registration Fee
Home built	\$ 20
Lighter than air	20
Sailplane	20
Single engine fixed wing	50
Small multi-engine fixed wing	65
Helicopter	75
Large multi-engine fixed wing	80
Turboprop multi-engine fixed wing	100
Turbojet multi-engine fixed wing	125

Weight based fee schedule (paid only by a commuter air carrier):

Gross Maximum Take-Off Weight	Registration Fee
Less than 4,001 lbs.	\$ 500
4,001 - 6,000 lbs.	1,000
6,001 – 8,000 lbs.	2,000
8,001 – 9,000 lbs.	3,000
9,001 – 12,000 lbs.	4,000

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## Aircraft Excise Tax

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**Recent  
Collections  
(\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$367	3.1%	0.002%
2017	\$356	1.6%	0.002%
2016	\$351	2.1%	0.002%
2015	\$343	-1.7%	0.002%
2014	\$349	12.2%	0.002%
2013	\$311	3.3%	0.002%
2012	\$301	3.0%	0.002%
2011	\$293	11.4%	0.002%
2010	\$263	0.8%	0.002%
2009	\$261	-9.1%	0.002%

Source: Washington State Department of Transportation

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**Distribution of  
Receipts**

All receipts from this tax are deposited into the Aeronautics Account.

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**Levied by**

State

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**Administration**

Department of Transportation.

The tax is collected when the aircraft is first registered. The fee is then due each January thereafter.

The Department of Revenue is authorized to collect unpaid aircraft excise tax per RCW 82.48.020.

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## Aircraft Excise Tax

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### History

- 2015 100 percent of fees are deposited into the Aeronautics Account.
- 2013 Registration fees based upon aircraft weight added for commuter air carriers.
- 1983 The current schedule of non-weighted fee rates was adopted.
- 1967 The tax was changed from a percent of the fair market value to a flat fee of \$15 for single engine planes and \$25 for multi-engine planes.
- 1949 The Aircraft Excise Tax was established with a rate of 1 percent of the fair market value. Aircraft were previously subject to personal property tax.
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## Aircraft Fuel Tax

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**RCW** Chapter 82.42

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**Tax Base** Except for fuel used by commercial and other exempt aircraft, the aircraft fuel tax is applied to each gallon of fuel that is sold, delivered, or used in the state.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** 11 cents per gallon.

Aircraft fuel is also subject to retail sales/use tax.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	N/A	N/A	N/A
2017	\$2,811	80.9%	0.01%
2016	\$1,554	-45.2%	0.01%
2015	\$2,837	3.4%	0.02%
2014	\$2,745	-1.8%	0.02%
2013	\$2,794	-14.3%	0.02%
2012	\$3,262	18.9%	0.02%
2011	\$2,743	-2.7%	0.02%
2010	\$2,819	41.0%	0.02%
2009	\$1,999	-33.3%	0.01%

Source: Washington State Department of Licensing

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**Distribution of Receipts** All receipts from this tax are deposited into the Aeronautics Account.

Sales/use taxes are deposited into the State General Fund.

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**Levied by** State

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**Administration** Department of Licensing.

Distributors of aircraft fuel report the tax on a monthly basis. Taxes are due by the 25th of the month immediately following the reporting period.

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## Aircraft Fuel Tax

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### History

- 2005 Tax rate increased to 11 cents per gallon.
  - 2003 Variable rate discontinued and statutory rate set at 10 cents per gallon.
  - 1989 Statute pertaining to export exemption clarified as a result of significantly increased export sales, new statute requires detailed reporting of data on such sales.
  - 1983 Minimum tax of 5 cents added.
  - 1982 Variable tax rate calculation established.
  - 1967 Tax adopted at a rate of 2 cents per gallon.
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# Beer Tax

**RCW** 66.24.290

**Tax Base** Brewers or distributors of beer pay a tax for the privilege of manufacturing or selling beer in Washington. The tax applies to each 31-gallon barrel or its equivalent in cans and bottles. Beer is also subject to retail sales tax, whether purchased in the original container or for consumption on-premises of the seller.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** For breweries that produce less than 60,000 barrels each year, the overall rate is \$4.782 per barrel:

Tax	Rate per barrel	RCW
Base tax	\$1.30	66.24.290(1)(a)
Additional	\$2.00	66.24.290(2)
Additional	\$1.482	66.24.290(4)

For breweries that produce over 60,000 barrels each year the overall rate is \$8.08 per barrel:

Tax	Rate per barrel	RCW
Base tax	\$1.30	66.24.290(1)(a)
Additional	\$2.00	66.24.290(2)
Additional	\$4.78	66.24.290(3)(a)

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$31,037	5.6%	0.1%
2017	\$29,390	-6.4%	0.2%
2016	\$31,385	2.1%	0.2%
2015	\$30,736	2.8%	0.2%
2014	\$29,898	-61.3%	0.2%
2013	\$77,324	-2.9%	0.5%
2012	\$79,642	-1.2%	0.6%
2011	\$80,609	118.8%	0.6%
2010	\$36,833	13.6%	0.3%
2009	\$32,418	2.9%	0.2%

Source: Washington State Liquor & Cannabis Board

# Beer Tax

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**Distribution of Receipts** Receipts from the base tax of \$1.30 per barrel are distributed as follows:

- 0.3% to certain border cities and counties for law enforcement costs.
- Of the remaining 99.7%, 20% is distributed to all counties on the basis of unincorporated population and 80% is distributed to all cities on the basis of population.

Receipts from the additional tax of \$2.00 per barrel and \$4.78 per barrel are deposited into the State General Fund.

Receipts from the \$1.482 tax for barrels exempted from the \$4.78 rate are distributed as follows:

- 97 percent into the State General Fund.
- 3 percent to border cities and counties.

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**Levied by** State

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**Administration** Liquor and Cannabis Board.

Brewers and beer wholesalers report the tax monthly, with payment due by the 20th day of the following month.

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**History**

2013 Additional per barrel and per gallon taxes imposed in 2010 expired.

2010 Additional tax of \$15.50 per barrel imposed on breweries that produced over 60,000 barrels. The excise tax on beer increased from 26 to 76 cents per gallon but the additional tax did not apply to the sale of the first 60,000 barrels annually by breweries entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051 of the federal internal revenue code.

2009 A portion of the tax was earmarked for the violence reduction/drug enforcement account and the health services account. These dedicated revenues were eliminated.

2003 Strong beer (more than 8 percent alcohol by weight) shifted from the liquor sales tax and made subject to the beer tax.

1997 Beer tax rate reduced to \$1.30 per barrel from \$2.60 per barrel and the 7 percent surtax was repealed.

## Beer Tax

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- 1994 Temporary tax created in 1989 made permanent.
  - 1993 Established an additional tax of \$0.96 per barrel for health care. This tax automatically increased to \$2.39 per barrel in 1995 and \$4.78 per barrel in 1997.
  - 1989 Adopted an additional temporary tax of \$2.00 per barrel for drug programs.
  - 1982 Surtaxes added, increasing the overall rate to \$2.782.
  - 1981 Combined the \$1.00 and \$1.50 rates and increased to a basic rate of \$2.60.
  - 1965 Rate increased to \$1.50 per barrel for canned and bottled beer.
  - 1934 Beer tax enacted at \$1.00 per barrel.
-

# Brokered Natural Gas Use Tax

**RCW** 82.12.022

**Tax Base** Natural or manufactured gas that is consumed within the state, including compressed natural gas and liquefied natural gas, purchased by a consumer if the sale is not subject to public utility tax. The tax applies only if delivery is through a pipeline.

The value of gas is equal to the purchase price of the gas to the consumer, plus any transportation costs that are not subject to state or city public utility taxes.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 3.852 percent. This rate must be the same as the gas distribution rate under the public utility tax.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$19,258	-9.8%	0.1%
2017	\$21,347	-0.1%	0.1%
2016	\$21,370	-23.9%	0.1%
2015	\$28,076	-18.4%	0.2%
2014	\$34,412	56.5%	0.2%
2013	\$21,992	-7.6%	0.1%
2012	\$23,800	-18.0%	0.2%
2011	\$29,011	-23.1%	0.2%
2010	\$37,725	-19.3%	0.3%
2009	\$46,730	13.5%	0.3%

**Distribution of Receipts** All state receipts are deposited into the State General Fund.

**Levied by** State and city.

For information about the local portion of this tax, refer to the [Local Tax Reference Guide](#).

## Brokered Natural Gas Use Tax

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**Administration** Department of Revenue.

Both state and local taxes are reported and collected by the Department on the Natural Gas Use Tax Addendum to the Combined Excise Tax Return.

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**History** 2014 Effective July 1, 2015, use tax on brokered natural gas is expanded to include compressed and liquefied natural gas for non-transportation fuel purposes.

1989 State and municipal taxes on brokered natural or manufactured gas were adopted by the Legislature with an effective date of July 1, 1990.

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# Business & Occupation Tax

RCW Chapter 82.04

**Tax Base** Gross receipts of all businesses having a substantial nexus with Washington.

- The term “gross receipts” means gross income, gross sales, or the value of products, whichever is applicable to a particular business.
- Having a substantial nexus generally means, in the case of apportionable business activities and most wholesaling activities, having an economic presence in the state that is measured by Washington payroll, property, or receipts “economic nexus” standards.
- A retailing activity has substantial nexus with Washington if it exceeds economic nexus standards based on Washington receipts or if it has a physical presence in Washington.
- For other business activities, a physical presence in the state creates substantial nexus with Washington.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** Businesses are taxed according to the activities in which they engage and may be subject to more than one tax and/or rate, depending on the source of their income and business activity.

A firm that manufactures a product and sells it at wholesale within the state is taxed as a wholesaler, not a manufacturer. These firms report on both the manufacturing and wholesaling tax lines but take a multiple activities tax credit for the manufacturing activity.

Various business and occupation (B&O) tax rates apply to different classifications of business activities. The rates are as follows:

Classifications of Business Activities	Tax Rates
Manufacturing, wholesaling, and certain other activities <sup>1</sup>	0.484%
Retailing, retail sellers of digital goods, and radioactive waste cleanup for the U.S.	0.471%
Extracting timber & manufacturing timber/wood products <sup>2</sup>	0.3424%
Manufacturing aluminum (until 1/1/2027); repair of commercial aircraft (until 7/1/2040); manufacturing or selling commercial aircraft & components (until 7/1/2040)	0.2904%
Travel agents, tour operators, stevedoring, freight brokers, licensed boarding homes, repair of aircraft, manufacturing	0.275%

# Business & Occupation Tax

computer microchips or semiconductor materials, solar energy equipment manufacturing (until 6/30/2027), international investment management services	
Processing meat (at wholesale); processing soybeans, canola, and dry peas; manufacturing wheat into flour; processing raw seafood, fresh fruit, vegetables and dairy	0.138%
Disposal of low-level radioactive waste	3.3%
Development of aerospace products	0.9%
Gambling contests of chance <sup>3</sup>	1.63%
Services; public/nonprofit hospitals; all other activities	1.5%
Printing/publishing newspapers (until 7/1/2024)	0.35%

<sup>1</sup>Extracting, extracting for hire, insurance producers, title insurance agents, surplus line broker commissions, child care, processing for hire, printing and publishing, manufacturing, wholesaling, warehousing, radio and tv broadcasting, public road construction, government contracting, chemical dependency center, canned salmon labelers, retailing of interstate transportation equipment.

<sup>2</sup>The tax rate for extracting/wholesaling of timber and manufacturing of timber or wood products includes a surtax of 0.052 percent (RCW 82.04.261). The basic B&O tax rate on these activities is 0.2904 percent (until July 1, 2024) plus the permanent surtax enacted in 2006, the receipts of which are dedicated to the forest and fish support account.

<sup>3</sup>Applies to operators of certain gambling activities which gross more than \$50,000 annually.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$4,156,327	8.6%	19.7%
2017	\$3,826,274	5.3%	19.9%
2016	\$3,633,250	7.0%	20.1%
2015	\$3,396,730	4.5%	20.1%
2014	\$3,250,359	-1.8%	20.3%
2013	\$3,311,594	5.8%	21.6%
2012	\$3,130,753	3.9%	21.7%
2011	\$3,014,373	16.9%	21.1%
2010	\$2,577,618	-2.8%	19.2%
2009	\$2,650,526	-7.8%	17.3%

# Business & Occupation Tax

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**Distribution of Receipts** Receipts from B&O taxes are deposited into the State General Fund, with the following exceptions:

- The 0.13 percent tax on contests of chance and pari-mutuel wagering are deposited into the Problem Gambling Account.
- The 0.052 percent surtax on extracting timber and manufacturing timber and wood products is deposited into the Forest and Fish Support Account.

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**Levied by** State

There is no statutory or administrative relationship between the state B&O tax and the local gross receipts taxes levied by some cities. Legislation adopted in 2003 required cities to adopt their local business taxes according to a model ordinance, which is linked with the state B&O tax definitions.

For information about local B&O taxes refer to the [Association of Washington Cities \(AWC\)](#).

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**Administration** Department of Revenue.

The B&O tax is generally reported on the Combined Excise Tax Return. Firms whose annual gross income does not exceed \$28,000 are not required to file excise tax returns if they have no other state excise taxes to report. However, any business that collects any retail sales tax must file, regardless of the amount of sales tax collected.

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**History**

2018 Changed various regulations and requirements on tax credits for purchases of clean alternative fuel commercial vehicles. Extended the tax credit for purchases of clean alternative fuel commercial vehicles to include vehicles providing commercial services and vehicles transporting passengers. Marketplace fairness requires businesses that have more than \$267,000 in retail sales into Washington or at least 25 percent of total sales receipts from this state to pay retailing B&O tax.

2017 Created an exemption from B&O tax on wholesale sales by an eligible distributor of commercial fertilizer, agricultural crop protection products, and seed, to an eligible retailer when there is a specified percentage of common ownership between the distributor and retailers. Created preferential tax rates for solar energy manufacturers extended to June 30, 2027. Created a B&O tax credit for utilities that provide electricity, natural gas, or manufactured gas to a silicon smelter.

## Business & Occupation Tax

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Reclassified martial arts training from a retail sale to a service and other B&O taxable activity.

- 2016 Expanded the B&O tax deduction for health and social welfare organizations providing mental health services under a government-funded program to include chemical dependency services. Expanded the current B&O tax deduction for behavioral health organizations (BHOs) to include amounts received by BHOs from the state of Washington for distribution to a health and social welfare organization for providing chemical dependency services. Extended the expiration date for the B&O tax deduction for health and social welfare organizations providing mental health services under a government-funded program to January 1, 2020. Extended the expiration date for the B&O tax deduction for BHOs to January 1, 2020. Extended the tax credit for purchases of alternative fuel commercial vehicles to include leased vehicles. Makes premiums on stand-alone dental plans subject to the insurance premiums tax, which made the premiums exempt from the B&O tax.
- 2015 Tax on royalty income increased to 1.5%. Extended the tax exemption for fruit and vegetable, dairy, and seafood processors to July 1, 2025. Aluminum smelter preferences were extended to July 1, 2027. Preferential tax rate for newspapers reinstated to 0.35%, including advertising and online subscription revenue, until July 1, 2024. Included eligible apiarists in the definition of “farmer.” Expanded economic nexus to include wholesalers that exceed applicable nexus thresholds. Adopted “click through” nexus.
- 2014 Established that compressing and liquefying natural gas to be used for transportation purposes is a manufacturing process for B&O and sales tax purposes. Excluded marijuana and marijuana products from certain agricultural tax preferences.
- 2013 Aerospace tax preferences were extended to July 1, 2040. The 0.3% surtax on Service and Other Activities ended. Ten year expiration applied to new tax preferences unless exempted or a specific expiration date is stated in the legislation.
- 2012 Reinstated until July 1, 2017, the tax credit for contributions made to the Washington Motion Picture Competiveness program. Created a deduction for amounts received for dispute resolution services for qualified dispute resolution centers and qualified nonprofit organizations. Extended the Customized Employee Training Program until July 1, 2017, and the B&O tax credit until July 1, 2021, for

## Business & Occupation Tax

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employers participating in the program. Temporarily extended the tax exemption for fruit and vegetable, dairy, and seafood processors. Temporarily modified the tax rate of newspapers. The definition of newspaper was changed to include electronic versions.

- 2011 Created tax deductions for amounts received from the state by regional support networks to be distributed to a health or social welfare organization for mental health services and for amounts received by a health or social welfare organization for provided child welfare services under a government funded program. Clarified real estate firm tax liabilities. Created a tax exemption for employee meals provided by restaurants without a specific charge. Created a preferential tax rate for certain solar energy manufacturers.
- 2010 Established economic nexus standards and single factor apportionment for Service & Other and related business activities. Established authority to invalidate tax avoidance transactions and assess additional penalties on these transactions. Eliminated the Direct Seller, Board of Director Compensation, and Property Management Salary tax exemptions. Ended the tax credit for New Employment for International Services. Clarified definitions and tax applications for manufacturers of products derived from certain agricultural products. Expanded corporate officer liability to include unpaid B&O tax. Modified the Interest Earned on First Mortgage Residential Loans deduction. Temporarily increased the Service and Other tax rate from 1.5% to 1.8% through June 30, 2013.
- 2009 New legislation specifically extended retail sales tax to digital goods, digital codes, and digital automated services. The bill also created specific B&O tax classifications for sellers of digital goods – 0.471 percent for retailers and 0.484 percent for wholesalers.
- Also in 2009, a permanently reduced tax rate of 0.2904 percent was allowed for printing and publishing of newspapers.
- 2006 An additional 0.052 percent surtax for the timber industry was added.
- 2005 Income derived from processing fresh fruit and vegetables is made exempt of B&O taxes and this exemption was expanded to include dairy and seafood products in 2006.
- A 0.13 percent tax on games of chance and pari-mutuel wagering was enacted.

## Business & Occupation Tax

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- 2003 A variety of business incentives were adopted, including preferential tax rates on manufacturing commercial aircraft, smelting of aluminum, and production of semiconductor materials.
- 1998 The internal distribution tax was repealed.
- Many of the specialized rates, which numbered as many as 13 different B&O tax rates in the 1990's, were consolidated into the existing 0.275 or 0.138 percent rates.
- 1994 The current small business tax credit was adopted; this provided significantly broader tax relief for very small companies. Prior to 1994, the B&O tax featured a threshold equivalent to \$1,000 of taxable income per month. If a firm had gross receipts above this level, the B&O tax fully applied to all of the firm's income.
- 1993 New classifications for business services were created with rates as high as 2.5 percent and existing rates were increased. By 1997, the new classifications were eliminated and the tax rates for all activities were returned to the pre-1993 levels.
- Also, public and nonprofit hospitals were made fully taxable at the service rate, with the receipts dedicated to health care programs.
- 1987 The U.S. Supreme Court ruled that Washington's B&O tax presented the potential for double taxation of the same income for firms that operate in multiple states. In response, "multiple activity" tax credits were enacted for in-state firms that both manufacture and sell at wholesale or retail and for firms that operate both in Washington and in other states.
- 1974 From 1974 through 1983, an increasing percentage of the inventory tax was creditable against B&O tax liability in order to help deal with personal property taxes on business inventories; until inventories were exempted outright from property tax.
- 1970 The B&O tax was broadened to include financial institutions under the service classification, following a revision in federal tax requirements.
- 1965 The initial tax incentive to encourage economic development was enacted in 1965. This manufacturer's tax credit was intended to help manufacturing firms invest in new facilities. Another credit was adopted two years later; this continues to assist firms with costs incurred in upgrading pollution control facilities.

## Business & Occupation Tax

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- 1959 The Legislature attempted to extend the tax to income derived from the rental of real estate. However, the State Supreme Court ruled that the tax constituted double taxation, because the income was essentially derived from the real estate itself and this was already subject to property tax
- 1955 A tax on "internal distributions" was applied to firms that distribute products they own to two or more of their own outlets. The internal distribution tax was enacted to help offset the advantage for integrated firms e.g., those that distribute products they own to their retail outlets.
- 1935 The Revenue Act of 1935 included the current B&O tax as a replacement for the Business Activities Tax. Initial tax rates were 0.25 percent for all business activities, except services which were taxed at 0.5 percent. Subsequent rate increases were enacted via surtaxes in 1951, 1955, 1959, 1976, 1982, and 1983.
- 1933 The Business Activities Tax of 1933 was the state's first gross receipts tax on business. It was adopted as a temporary, emergency revenue measure during the Depression. The gross receipts form of taxation was upheld by the State Supreme Court in 1933 when it determined that a gross receipts tax was a proper measure of the privilege of engaging in business, rather than a tax on income.
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# Cigarette Tax

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**RCW** Chapter 82.24

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**Tax Base** The sale, use, consumption, handling, possession, or distribution of cigarettes. The tax applies on the first such taxable event that occurs within the state.

Retail sales and use tax also apply to the total retail value, including the value of the cigarette tax.

Tax exemptions may reduce the tax liability for this tax base. For more information refer to the [Tax Exemption Study](#).

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**Tax Rate** The total state cigarette tax rate is currently \$3.025 per pack of 20 cigarettes. The state tax rate and authorizing statutes are:

- \$2.425 - RCW 82.24.020(1)
- \$0.60 - RCW 82.24.026

In 2005, the state and the Puyallup Indian Tribe entered into an agreement related to tribal cigarette taxes. Codified as RCW 43.06.465, the Puyallup tribal cigarette tax is currently imposed at a rate of \$2.775 per pack of 20 and is in lieu of the state cigarette tax and state/local retail sales taxes.

Note: The state has agreements with 23 other tribes which provide, after an initial phase-in period, for tribal cigarette taxes equivalent to the state cigarette tax plus state/local retail sales taxes. Tribal cigarette tax revenues are used for tribal governmental purposes.

Additionally, the federal government levies a tax of \$1.01 per pack on cigarette manufacturers.

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# Cigarette Tax

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$357,445	-5.4%	1.7%
2017	\$377,899	-3.5%	2.0%
2016	\$391,487	-1.8%	2.2%
2015	\$398,823	1.7%	2.4%
2014	\$392,291	-3.6%	2.4%
2013	\$406,914	-4.2%	2.7%
2012	\$424,815	-1.9%	2.9%
2011	\$432,823	11.5%	3.0%
2010	\$388,032	-1.1%	2.9%
2009	\$392,429	-6.8%	2.6%

**Distribution of Receipts**

Since July 1, 2010, all state cigarette tax revenues are deposited into the State General Fund.

The state also receives revenues from the cigarette tax levied by the Puyallup Indian Tribe. The agreement provides that 30 percent of tribal cigarette tax receipts go to the State General Fund.

**Levied by**

State

**Administration**

Department of Revenue.

- The tax is paid by the purchase of stamps that are affixed to each package of cigarettes by stamping wholesalers and operators of retail roll-your-own facilities.
- Wholesalers subject to the cigarette tax receive a stamping allowance of \$6 per 1,000 stamps as compensation for the cost of affixing stamps. Roll-your-own retail businesses receive a stamping allowance of 5 cents per cigarette.
- All enforcement activities related to cigarette tax are performed by the Liquor and Cannabis Board.

# Cigarette Tax

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## History

- 2012 A tax stamp was created to facilitate collection of the cigarette tax owed on those cigarettes rolled by consumers using machines in roll-your-own retail establishments. Roll-your-own cigarettes were specifically included in the definition of cigarettes.
- 2011 Legislation eliminated the earmarking of 51.6 cents per pack of cigarette tax revenues for the Education Legacy Account, with a retroactive effective date of July 1, 2010.
- 2010 The cigarette tax rate was increased from \$2.025 per pack to \$3.035. The amount dedicated to the Education Legacy Account increased from 42.9 cents a pack to 51.6 cents.
- 2009 Eliminated earmarking cigarette tax revenues to various dedicated accounts except for the Education Legacy Account.
- 2005 An additional tax of 60 cents per pack was levied, dedicated to the education legacy account in support of educational programs, making the total rate \$2.025 per pack. Four tribal contracts were authorized, including the unique Puyallup contract which requires the distribution of 30 percent of the tribal tax receipts to the state.
- 2001 Legislation allowed the state to enter into contracts with 16 Indian tribal authorities relating to the imposition of tribal cigarette taxes. The contracts would provide for tribal cigarette taxes equivalent to the state cigarette and retail sales taxes, thereby providing revenues for tribal services and reducing the incentive for state tax evasion.
- 2001 The cigarette stamping allowance was increased from \$4 to \$6 per 1,000 stamps.
- 2001 Voters approved Initiative 773, imposing an additional tax of 60 cents per pack, most of which was dedicated to health care. The total rate rose to \$1.425 per pack.
- 1999 The 8-cent portion of the tax dedicated to water quality was diverted for two years, one-half to a new salmon recovery account and the rest to the violence reduction and drug enforcement account.
- 1997 Cigarette tax enforcement was shifted from Department of Revenue to the Liquor and Cannabis Board.

## Cigarette Tax

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1993-1996

The tax rate increased in four annual steps: from 34 cents per pack to 54 cents in 1993, to 56.5 cents in 1994, to 81.5 cents in 1995, and to a total of 82.5 cents in 1996. Of these tax increases, 41 cents per pack were dedicated to health care and 7.5 cents to drug enforcement. Tighter administrative controls were implemented to reduce illegal cigarette sales.

1989 The rate increased from 31 to 34 cents per pack, with the additional three cents earmarked for drug education and enforcement programs.

1986 The tax rate increased from 23 to 31 cents per pack, with the additional eight cents earmarked for water quality programs. There were also revisions to the Unfair Cigarette Sales Act.

1983 The surtaxes were made permanent.

1982 Surtaxes increased the rate to 23 cents per pack.

1981 The rate increased from 16 to 20 cents per pack.

1975 An exemption for possession of two cartons of unstamped cigarettes was repealed, strengthening cigarette tax enforcement.

1972 A 1949 bond for veterans' bonuses, funded by a 2-cent per pack tax, was retired. The 2-cent tax was directed to the general fund in 1977 when compensation was fully paid.

1971 The rate increased to 16 cents per pack.

1965 The rate increased to 11 cents per pack.

1961 The rate increased to 7 cents per pack.

1959 The rate increased from 5 to 6 cents per pack.

1955 An additional tax of 5% of the retail price was imposed, about one cent per pack. Receipts were dedicated to the public school building bond redemption fund until the bonds were retired, then to the general fund.

1949 The rate increased from 2 to 4 cents per pack, with the additional receipts earmarked for retirement of bonds issued to pay compensation to war veterans.

## Cigarette Tax

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1939 The rate increased from 1 to 2 cents per pack.

1935 A cigarette tax was imposed at a rate of 1 cent per pack.

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# Convention Center Taxes

**RCW** 36.100.040(4) & (5)

**Tax Base** Income received by lodging facilities for providing lodging to guests within King County. These lodging taxes apply to all lodging facilities in King County including short-term rentals. Hostels, temporary medical housing, and lodging businesses with less than 60 units located in a town with a population of less than 300 persons are exempt.

"Short-term rental" is a lodging use, that is not a hotel or motel, in which a dwelling unit, or portion of a unit, is offered or provided, for a fee, to guest(s) by a short-term rental operator for fewer than 30 consecutive nights.

The lodging taxes apply only when a lodging unit is used for a continuous period of less than one month.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to Chapter 36.100 RCW.

**Tax Rate** Taxes imposed only in King County. Rates may not exceed:

- 7.0 percent - within the city of Seattle
- 2.8 percent - King County outside the city of Seattle

Additional tax only imposed in the city of Seattle. Rate may not exceed:

- 2.0 percent

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$123,278	16.8%	0.6%
2017	\$105,548	7.8%	0.5%
2016	\$97,869	9.5%	0.5%
2015	\$89,409	15.5%	0.5%
2014	\$77,397	10.5%	0.5%
2013	\$70,030	6.8%	0.5%
2012	\$65,595	29.3%	0.5%
2011	\$50,715	-0.2%	0.4%
2010	\$50,809	-11.3%	0.4%
2009	\$57,253	-6.8%	0.4%

# Convention Center Taxes

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**Distribution of Receipts** Receipts from the 7 percent and 2.8 percent lodging taxes and the 2 percent additional tax are distributed to the Public Facilities District (PFD).

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**Levied by** The Washington State Convention Center PFD. Although the PFD has owned and operated the Washington State Convention Center since November 30, 2010, it is considered a local taxing district.

For more information about these taxes refer to the [Local Tax Reference Guide](#).

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**Administration** Department of Revenue.

These taxes are reported on the Combined Excise Tax Return by hotels, motels, and other facilities that provide lodging on a temporary basis.

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- History**
- 2018 Legislation removed the 60-room requirement so that all types of lodging are subject to the convention center tax with a few exceptions.
  - 2010 Legislation transferred the state convention and trade center, and the taxes which finance the center, from the public nonprofit corporation which previously owned and operated the center to a public facilities district. The transfer took place on November 30, 2010.
  - 2002 The tax base was clarified so that long-term rentals would not be subject to the tax.
  - 1995 The Legislature authorized an additional tax of up to 2 percent to be imposed only in the city of Seattle. The tax is to be credited against the state sales tax.
  - 1993 On January 1, 1993, the Seattle rate was increased to 7 percent and the county rate increased to 2.8 percent.
  - 1988 On July 1, 1988, the Seattle rate became 6 percent and the county rate increased to 2.4 percent.
  - 1983 From January 1, 1983, through June 30, 1988, the Seattle rate was increased to 5 percent, but the rate stayed at 2 percent throughout the remainder of the county.

## Convention Center Taxes

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1982 This tax was first effective on April 1, 1982, at rates of 3 percent (Seattle) and 2 percent (rest of King County).

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## Estate and Transfer Tax

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RCW 83.100.040

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**Tax Base** The value of all property located in Washington at the decedent's date of death. The term "property" includes real estate and other property located in this state, as well as intangible assets owned by a Washington resident, regardless of location.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** After subtracting all allowable deductions, the remaining Washington taxable estate is subject to a graduated rate schedule ranging from 10 to 20 percent. The estate tax brackets found in RCW 83.100.040 are summarized below:

(1) Washington taxable estate is at least	(2) But less than	(3) Tax on amount in column (1)	(4) Plus tax rate on excess amount in column (1)
\$0	\$1,000,000	\$0	10.00%
\$1,000,000	\$2,000,000	\$100,000	14.00%
\$2,000,000	\$3,000,000	\$240,000	15.00%
\$3,000,000	\$4,000,000	\$390,000	16.00%
\$4,000,000	\$6,000,000	\$550,000	18.00%
\$6,000,000	\$7,000,000	\$910,000	19.00%
\$7,000,000	\$9,000,000	\$1,100,000	19.50%
\$9,000,000	--	\$1,490,000	20.00%

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# Estate and Transfer Tax

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$203,411	20.6%	1.0%
2017	\$168,710	25.3%	0.9%
2016	\$134,680	-12.6%	0.7%
2015	\$154,040	-1.3%	0.9%
2014	\$156,019	49.0%	1.0%
2013	\$104,680	-8.8%	0.7%
2012	\$114,828	1.7%	0.8%
2011	\$112,928	43.5%	0.8%
2010	\$78,717	-42.6%	0.6%
2009	\$137,116	25.6%	0.9%

**Distribution of Receipts**

Current estate tax receipts are deposited into the Education Legacy Account. Receipts for decedents who died prior to May 17, 2005, are deposited into the State General Fund.

**Levied by**

State

**Administration**

Department of Revenue.

If the value of the gross estate exceeds the filing threshold, administrators or personal representatives of estates must file a Washington estate tax return with the Department. The return must be filed within nine months following the decedent’s death. Administrators must include a copy of the federal estate tax return, if applicable, with the state tax return. When the estate tax liability has been fully satisfied, a release is issued to the estate stating that the decedent's property may be transferred.

**History**

2013 Legislation passed to include qualified terminable interest property (QTIP) in the Washington taxable estate when the second spouse dies, regardless of when the spouse acquired the interest in the property.

- Beginning with the estates of decedents dying in 2014, the bill also:
- Provides an annual adjustment to the Washington estate tax threshold based on the Consumer Price Index.
  - Increases the top four estate tax rates.

## Estate and Transfer Tax

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- Allows a qualified family-owned business interests (QFOBI) deduction.

2012 The Washington Supreme Court determined that qualified terminable interest property (QTIP) should not be included in the decedents' Washington estates when computing Washington's estate tax in the consolidated case of *Estate of Bracken and Estate of Nelson v. State of Washington* on October 18, 2012.

2006 The state estate tax survived a repeal attempt in November 2006, when 62 percent of the voters rejected Initiative 902.

2005 The State Supreme Court overturned Washington's estate tax in *Hemphill et al v. State of Washington* on February 3, 2005.

The Legislature enacted a "stand-alone" estate tax effective May 17, 2005.

2001 In May, Congress adopted H.R. 1836 (PL 107-16) which phased out the federal estate tax by the year 2010 and eliminated the federal credit for state taxes at the end of 2004.

The State of Washington continued to collect the estate tax based on the Internal Revenue Code as of January 1, 2001.

1981 Voters approved Initiative 402 at the November general election. This initiative repealed the state inheritance and gift taxes effective January 1, 1982.

The initiative allowed continuation of a state estate tax equal to the amount of federal estate tax credit. This is referred to as a "pick-up" tax.

1979 The Legislature enacted a comprehensive revision of the inheritance tax.

1941 A companion gift tax was enacted at rates equal to 90 percent of the inheritance tax rates.

1901 An inheritance tax was one of the first state taxes established in Washington. The tax was upheld in a court ruling that found it was an excise tax on the privilege of inheriting property, and not a tax on the property itself.

# Food Fish/Shellfish Tax

RCW Chapter 82.27

**Tax Base** The fish tax is based on the value of the fish, and applies to enhanced food fish<sup>1</sup>, shellfish, and anadromous game fish<sup>2</sup>.

Taxable fish includes:

- Fish originating in the territorial waters of Washington
- Salmon from the waters of Washington, Oregon, or British Columbia
- Troll-caught Chinook salmon from the waters of southeast Alaska

Persons engaged in commercial fishing and processing are also liable for business and occupation tax under the extracting, manufacturing, or wholesaling classifications.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

<sup>1</sup>The term "enhanced" refers to species of fish which are developed by the state through various hatchery and other programs of the Department of Fish and Wildlife. It includes all species of food fish, except tuna, mackerel, and jack; shellfish; and anadromous game fish.

<sup>2</sup>Anadromous game fish means steelhead trout and anadromous cutthroat trout and Dolly Varden char.

**Tax Rate**

Species	Rate
Puget Sound <sup>1</sup> : Chinook, coho, and chum salmon, anadromous game fish (Beginning January 1, 2018)	5.62%
Ocean waters, Columbia River, Willapa Bay, and Grays Harbor: Chinook, coho, chum salmon, and anadromous game fish (Beginning January 1, 2018)	6.69%
Pink and sockeye salmon and eggs	3.37%
Oysters	0.09%
Sea urchins and cucumbers <sup>2</sup>	2.25%
Other food fish, eggs and shellfish	2.25%

<sup>1</sup>Puget Sound includes waters on the Strait of Juan de Fuca and Georgia Strait.

<sup>2</sup>Harvesters also pay an annual license under chapter 77.70 RCW.

# Food Fish/Shellfish Tax

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$2,956	-1.9%	0.01%
2017	\$3,013	0.9%	0.02%
2016	\$2,987	-14.0%	0.02%
2015	\$3,475	24.1%	0.02%
2014	\$2,800	8.0%	0.02%
2013	\$2,593	219.9%	0.02%
2012	\$810	-74.6%	0.01%
2011	\$3,193	32.1%	0.02%
2010	\$2,418	23.2%	0.02%
2009	\$1,963	-23.5%	0.01%

**Distribution of Receipts**

All receipts are deposited into the State General Fund, except:

- The tax on anadromous game fish is deposited into the Wildlife Account.
- The equivalent of 1 percent of the tax on ocean waters, Columbia River, Willapa Bay, and Grays Harbor: chinook, coho, and chum salmon is deposited into the Wildlife Account.

**Levied by**

State

**Administration**

Department of Revenue.

The tax is reported on an addendum to the Combined Excise Tax Return by the owner of the fish at the time of the first commercial possession. Fish taxpayers report on a monthly or quarterly reporting frequency.

While the owner of the fish is liable for the tax, when they purchase enhanced food fish (except oysters) they may deduct one-half of the food fish tax from the price paid to the seller, effectively allowing the buyer to shift 50 percent of the fish tax liability to the fisherman.

## Food Fish/Shellfish Tax

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### History

- 2017 Tax rate increase on ocean waters, Columbia River, Willapa Bay, and Grays Harbor: chinook, coho, chum salmon, and anadromous game fish effective January 1, 2018.
- 2013 Temporary tax increase on sea urchins and sea cucumbers expired.
- 2010 Temporary rate increase on sea urchins and sea cucumbers extended through 2013, or until the number of licenses is reduced to 20, whichever occurs first.
- 2005 Temporary rate increase on sea urchins and sea cucumbers was extended for an additional five years, through the end of 2010.
- 1999 The rate on sea urchins and sea cucumbers increased temporarily to provide additional funding for programs relating to these fisheries.
- 1994 Rates increased January 1 by five percent to their current levels.
- 1985 Legislation substantially revised statutory definitions and clarified the origination of fish subject to tax.
- 1983 Anadromous game fish added to tax.
- 1982 Two surtaxes applied, 4 percent on July 1 and an additional 3 percent on October 1.
- 1980 The present statute was enacted and effective on July 1. This replaced a previous fish tax administered by the Department of Fisheries pursuant to chapter 75.32 RCW. The initial rates were 5 percent, 3 percent, 2 percent, and 0.07 percent.
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# Fuel Tax

**RCW** Chapters 82.38, 82.47, 70.149, & 46.68

**Tax Base** Tax is applied to each gallon of fuel that is imported, produced, or delivered from a "terminal rack<sup>1</sup>" in the state.

Fuel includes motor vehicle fuel and special fuel:

- Motor vehicle fuel includes gasoline and other inflammable gases or liquids that are used to propel motor vehicles or boats.
- Special fuel includes all combustible gases and liquids used to propel motor vehicles such as diesel, biodiesel, natural gas, propane and butane.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

<sup>1</sup> A terminal rack is the point where the fuel from a refinery, terminal or pipeline is delivered into tanker trucks or rail cars for distribution to a retailer or bulk consumer.

**Tax Rate** Fuel taxes may be levied at the state, local, and federal level.

State Taxes:

<b>State fuel tax per gallon:</b>															
49.4 cents per gallon															
<b>Alternative fee for natural gas and propane:</b>															
License fee in lieu of fuel tax based on the following schedule and formula:															
<table border="1"> <thead> <tr> <th>Vehicle Tonnage (GVW)</th> <th>Fee</th> </tr> </thead> <tbody> <tr> <td>0 – 6,000</td> <td>\$45</td> </tr> <tr> <td>6,001 - 10,000</td> <td>\$45</td> </tr> <tr> <td>10,001 – 18,000</td> <td>\$80</td> </tr> <tr> <td>18,001 – 28,000</td> <td>\$110</td> </tr> <tr> <td>28,001 – 36,000</td> <td>\$150</td> </tr> <tr> <td>36,001 and above</td> <td>\$250</td> </tr> </tbody> </table>	Vehicle Tonnage (GVW)	Fee	0 – 6,000	\$45	6,001 - 10,000	\$45	10,001 – 18,000	\$80	18,001 – 28,000	\$110	28,001 – 36,000	\$150	36,001 and above	\$250	
Vehicle Tonnage (GVW)	Fee														
0 – 6,000	\$45														
6,001 - 10,000	\$45														
10,001 – 18,000	\$80														
18,001 – 28,000	\$110														
28,001 – 36,000	\$150														
36,001 and above	\$250														
Vehicle tonnage fee from the fee schedule is multiplied by the fuel tax rate effective July 1 of the preceding calendar year, then divided by 12 cents, plus a \$5 handling fee.															
<b>Addition fees and taxes for heating oil:</b>															
<ul style="list-style-type: none"> <li>• Pollution liability insurance fee of 1.2 cents per gallon (RCW 70.149.080)<sup>2</sup></li> <li>• Subject to retail sales tax when purchased by consumers</li> </ul>															

<sup>2</sup>Pollution liability insurance fee scheduled to expire on July 1, 2030.

# Fuel Tax

Local Taxes:

<b>County/Regional Transportation Investment District fuel tax per gallon:</b>
Counties and RTID’s may levy a fuel tax equal to 4.94 cents (10 percent of the state rate).
<b>Border Area Jurisdiction fuel tax per gallon</b>
Border area jurisdictions <sup>3</sup> may levy a fuel tax with a maximum rate of 1 cent per gallon.

<sup>3</sup>All cities and towns within 10 miles of an international border crossing and transportation benefit districts with an international border crossing within its boundaries.

All state and local fuel taxes are in addition to the following federal fuel taxes:

- 18.4 cents per gallon of motor vehicle fuel or gasohol
- 24.4 cents per gallon of diesel or kerosene
- 13.6 cents per gallon of liquefied petroleum gas, commonly called propane
- 11.9 cents per gallon of liquefied natural gas
- 4.3 cents per gallon of compressed natural gas

**Recent Collections (\$000)**

Fiscal Year	Tax Rate (cents per gallon)	Collections <sup>4</sup>	% Change	% of All State Taxes
2018	49.4	\$1,800,547	4.1%	8.5%
2017	49.4	\$1,729,806	15.2%	9.0%
2016	44.5	\$1,502,071	17.1%	8.3%
2015	37.5	\$1,282,378	1.4%	7.6%
2014	37.5	\$1,264,797	1.8%	7.9%
2013	37.5	\$1,242,422	0.1%	8.1%
2012	37.5	\$1,240,920	-1.2%	8.6%
2011	37.5	\$1,256,212	1.6%	8.8%
2010	37.5	\$1,236,055	-0.6%	9.2%
2009	37.5	\$1,243,303	0.2%	8.1%

<sup>4</sup>Gross tax collections, based on month of distribution.  
Source: Washington State Department of Licensing

# Fuel Tax

**Distribution of Receipts**

Receipts from the state portion of the fuel tax are distributed as follows:

<b>23 cents of the 49.4 cent tax (less refunds and admin. expenses):</b>	
44.387%	Motor Vehicle Fund for state highway purposes
3.2609%	Special Category C Account for projects that require bond financing
2.3283%	Puget Sound Ferry Operations
2.3726%	Puget Sound Ferry Capital Construction Account
13.2336%	Transportation Improvement Account for Projects
10.6961%	Distribution to Cities and Towns
19.2287%	Distribution to Counties
1.9565%	County Arterial Preservation Account
2.5363%	Rural Arterial Trust Account
<b>11.9 cents of the 49.4 cent tax (from 2015 and 2016 rate increases):</b>	
100%	Connecting Washington Account, use per RCW 46.68.395
<b>3.5 cents of the 49.4 cent tax (from 2007 and 2008 rate increases):</b>	
100%	Transportation Partnership Account, use per RCW 46.68.290
<b>6 cents of the 49.4 cent tax (from 2005 and 2006 rate increases):</b>	
8.3333%	Cities and Towns, for use per RCW 46.68.110
8.3333%	Counties, for use per RCW 46.68.120
83.3334%	Transportation Partnership Account, use per RCW 46.68.290
<b>5 cents of the 49.4 cent tax (from 2003 rate increase):</b>	
100%	Dedicated to bond retirement for the transportation projects authorized in 2003

Receipts from local fuel tax are distributed as follows:

- No county or RTID has adopted a local fuel tax.
- Receipts from border area jurisdictions are collected by and paid to the levying jurisdiction.

Receipts from the heating oil insurance fee are deposited into the Heating Oil Pollution Liability Trust Account.

**Levied by** State, counties, Regional Transportation Investment Districts, and border area jurisdictions.

**Administration** Department of Licensing administers state portion of tax.  
 Department of Revenue administers local tax levied by counties.

## Fuel Tax

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Cities and border area jurisdictions administer tax where applicable.

- Currently, tax has been imposed by the cities of Blaine, Sumas, and Nooksack and the Point Roberts transit district.

Fuel tax is passed on to retailers and is included in the pump price paid by consumers. Suppliers, importers, blenders, and licensed exporters of motor vehicle fuel must file a monthly report indicating the number of gallons of fuel produced, removed from terminal facilities, imported into the state, or exported from Washington by licensed exporters.

- The report and payment of the state portion of the tax is due by the 25th of the month immediately following the reporting period.
- If the amount of tax due equals \$50,000 or more, payment must be made by electronic funds transfer which is due by the 26th day of the following month.

Dyed special fuel is subject to retail sales tax instead of the fuel tax as it is intended for off-road use only. Retail sales tax is paid by the consumer and remitted to the Department of Revenue by the retail vendor.

The heating oil insurance fee is remitted by heating oil distributors annually.

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### History

- 2015 Connecting Washington Transportation Act is passed by the State Legislature. State fuel tax rate increase of 7 cents per gallon in FY 2016 and an additional 4.9 cents per gallon in FY 2017.
- 2013 Chapter 82.36 RCW repealed effective July 1, 2016. Statutes merged with Chapter 82.38 RCW as of that date.
- 2006 Legislation transferred responsibility for administration of a local gas tax imposed by an RTID from the Department of Revenue to the Department of Licensing. Insurance fee on heating oil extended for six years. Was set to expire June 1, 2013. Currently, set to expire July 1, 2020.
- 2005 The Transportation Partnership Act is passed by the State Legislature. Phase in increase in state motor vehicle and special fuel tax rates of 7 cents per gallon.
- 2004 Insurance fee on heating oil increased from 0.6 cents to 1.2 cents.
- 2003 Legislation granted counties that are included in a RTID, or the RTID itself, to levy a local fuel tax equal to 10 percent of the state tax rate. Responsibility for administration was transferred from the

## Fuel Tax

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Department of Licensing to the Department of Revenue. The Nickel Transportation Package passed by the State Legislature. Increase in the state motor vehicle and special fuel tax rates of 5 cents per gallon.

- 2000 Heating oil insurance fee extended for six years.
  - 1998 The burden of reporting motor vehicle fuel tax shifted from the distributors to the owner of the fuel at the time it was initially delivered from a refinery or terminal facility in the state.
  - 1991 Border jurisdiction areas authorized to enact a 1 cent per gallon motor vehicle fuel tax.
  - 1990 County fuel taxes authorized by Legislature.
  - 1983 The fluctuating fuel tax rate was repealed.
  - 1978 The fuel tax rate fluctuated according to the average price of fuel and highway budgetary needs. Initially, the rate could change between 9 and 12 cents, then from 12 to 16 cents.
  - 1971 The special fuel tax statute was adopted with a rate of 9 cents per gallon; subsequent rate changes are consistent with the changes to the motor vehicle fuel tax.
  - 1947 Repealed the additional tax of one-quarter cent per gallon on fuel oil.
  - 1944 The 18th amendment to the state constitution approved by the voters. It requires that fuel tax revenues must be used for highway purposes.
  - 1941 A separate "use" fuel tax established which levied a 5 cent per gallon tax on diesel fuel.
  - 1935 Added an additional tax of one-quarter cent per gallon on fuel oil.
  - 1933 Refunds for off-highway use were established.
  - 1921 The motor vehicle fuel tax was enacted. Motor vehicle tax also applied to special fuels.
-

# Hazardous Substance Tax

**RCW** Chapter 82.21

**Tax Base** The tax is a privilege tax on the first possession in this state of petroleum products, pesticides, and certain chemicals determined by the Department of Ecology to present a threat to human health or the environment if released into the environment.

The measure of the tax is based on the wholesale value of the hazardous product.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 0.7 percent.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$141,897	14.8%	0.7%
2017	\$123,638	9.2%	0.6%
2016	\$113,225	-26.2%	0.6%
2015	\$153,496	-21.3%	0.9%
2014	\$195,011	-1.7%	1.2%
2013	\$198,464	0.4%	1.3%
2012	\$197,604	12.6%	1.4%
2011	\$175,500	17.5%	1.2%
2010	\$149,417	17.6%	1.1%
2009	\$127,055	-2.4%	0.8%

**Distribution of Receipts** All receipts from this tax are deposited into the State Toxics Control Account, the Local Toxics Control Account, and the Environmental Legacy Stewardship Account using the following formula:

- 56 percent of the first \$140 million per fiscal year to the State Toxics Control Account
- 44 percent of the first \$140 million per fiscal year into the Local Toxics Control Account
- Any amount collected over \$140 million per fiscal year is deposited into the Environmental Legacy Stewardship Account

## Hazardous Substance Tax

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These funds are allocated to the Department of Ecology for planning, management, regulation, and clean-up activities related to hazardous waste, solid waste, oil and hazardous materials, water and environmental health, and air quality among others.

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**Levied by** State

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**Administration** Department of Revenue.

Firms that are the first possessors of taxable hazardous substances in Washington report the tax on their Combined Excise Tax Return.

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**History**

2015 A hazardous substance tax exemption for possession of agricultural crop protection products that are warehoused, but not otherwise used or sold, in Washington is provided.

2013 The Environmental Legacy Stewardship Account is created. The distribution of funds between the State Toxics, Local Toxics, and Environmental Legacy Stewardship Account is adjusted.

2002 Legislation updated references to hazardous substance taxable products as defined in federal law.

1989 The hazardous substance tax, at a rate of 0.7 percent of the wholesale value of the product, became effective on March 1.

1988 Voters passed Initiative 97 establishing a tax on the first possession of hazardous substances in Washington. This replaced a similar hazardous substance tax with a different rate and different taxable substances that had been levied since January 1, 1988.

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# Industrial Insurance

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**RCW** 51.16.035

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**Tax Base** The majority of employers covered under the state of Washington Industrial Insurance Fund pay premiums (taxes) based on the number of hours worked by their employees.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to RCW's 51.16.210, 51.16.230, and 51.16.242.

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**Tax Rate** The insurance premium is intended to reflect the costs that a business is expected to add to the workers' compensation system. Premiums are calculated based on the hours worked by employees each quarter.

Each business is placed in a risk class based on the degree of hazard associated with the occupation.

Five factors create the insurance premium rates within each class:

- **Base rates:** The same base rates are used by all employers within a particular risk class. There are four base rates:
  - **Accident Fund:** Provides for wage replacement, permanent disability and death benefits, as well as certain vocational rehabilitation benefits for injured workers.
  - **Medical Aid Fund:** Provides for medical care and vocational rehabilitation counselor services for injured workers.
  - **Stay at Work Fund:** Provides partial reimbursement for wages, training, and equipment to employers who provide light duty or transitional work for injured workers.
  - **Supplemental Pension Fund:** Provides for cost of living adjustments for injured workers receiving extended wage replacement benefits, which is the same rate for all classes.
- **Experience Rating**
  - Predicts how much better or worse a business's claim costs are likely to be in the future compared to the benchmark for the particular class.
- **Insurance Premium Rate**
  - Calculated as the business experience modification factor x (class accident fund base rate + Class medical Aid fund base rate + class stay at work base rate + supplemental pension fund base rate).

Rates vary greatly based on risk class. There are approximately 324 risk classes and different experience ratings for each business within the risk

## Industrial Insurance

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class. Exclusive of the experience ratings, premiums can range from seven cents per hour worked to twenty three dollars per hour worked based on the risk class.

Workers pay half of the medical aid fund rate + half of the stay at work rate + half of the supplemental pension fund rate – after modified with the experience rating. On average, workers pay about 25% of the total premium while the employer pays the remaining 75%.

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### Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$2,723,488	3.2%	12.9%
2017	\$2,638,150	7.9%	13.7%
2016	\$2,444,264	5.3%	13.5%
2015	\$2,321,211	7.4%	13.8%
2014	\$2,160,494	3.1%	13.5%
2013	\$2,094,760	4.1%	13.7%
2012	\$2,011,360	8.6%	13.9%
2011	\$1,852,783	8.0%	13.0%
2010	\$1,714,749	-6.9%	12.8%
2009	\$1,841,914	26.8%	12.0%

Source: Washington State Department of Labor and Industries

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### Distribution of Receipts

All industrial insurance premiums are collected and eventually paid as benefits or administrative expenses by the Washington State Fund, which is managed by the Department of Labor and Industries. This fund provides:

- Industrial insurance benefits to employees who are injured on the job.
- Compensation that includes medical expenses, time-loss payments for persons who are unable to work because of an industrial accident, vocational rehabilitation and retraining if the injured worker is unable to continue in the same occupation, and pension benefits for persons who are permanently and totally disabled as a result of the accident.

If these funds are not immediately spent, they are invested by the State Investment Board.

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### Levied by

State

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# Industrial Insurance

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**Administration** Department of Labor and Industries.

Employers receive an annual rate notice which identifies the risk classes assigned to them, their experience modification factor, and their base rate charged per hour for each class. Employers file a quarterly report indicating their total worker hours per risk class. The worker-hours are multiplied by the experience modification factor and the base rate to determine the firm's industrial insurance premium obligation. The report and the premium payment are due by the end of the month following the close of the calendar quarter, for the calendar quarter.

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- History**
- 2011 Legislation made many changes to help prevent large rate increases in the future, including the Stay at Work Program, structured settlement agreements and a rainy day fund.
  - 1972 Legislation extended mandatory coverage from only extra-hazardous industries to include non-hazardous industries.
  - 1972 Self-insurance was allowed for firms that have substantial financial resources and effective accident prevent programs.
  - 1911 The industrial insurance program is established.
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## Insurance Premiums Tax

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**RCW** 48.14.020 and 48.14.0201

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**Tax Base** The net premiums collected or received by authorized insurers, except title insurers and fraternal benefit societies. This includes:

- Private insurers
- Health maintenance organizations
- Health care service contractors
- Self-funded multiple employer welfare arrangements, if not preempted by the Employee Retirement Income Act of 1974

Ocean marine and foreign trade insurers are subject to tax on their net underwriting profit, which equals net premiums received less net losses paid.

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**Tax Rate** 2 percent, for all taxable premiums except for ocean marine and foreign trade who pay 0.95 percent.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$635,497	8.1%	3.0%
2017	\$588,038	10.0%	3.1%
2016	\$534,663	-3.8%	3.0%
2015	\$555,976	19.0%	3.3%
2014	\$467,351	7.2%	2.9%
2013	\$436,118	1.4%	2.8%
2012	\$430,052	4.1%	3.0%
2011	\$413,097	1.8%	2.9%
2010	\$405,923	-0.6%	3.0%
2009	\$408,464	-1.6%	2.7%

Source: Washington State Office of the Insurance Commissioner

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**Levied by** State

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# Insurance Premiums Tax

**Distribution of Receipts**

Receipts from this tax are distributed as follows:

<b>Premium taxes paid on fire insurance:</b>		<b>Percent</b>
• Volunteer Fire Fighters’ Relief and Pension Fund (RCW 41.24.030)		40%
• Cities with full-time fire departments (RCW 41.16.050)		25%
• Fire service training account (RCW 43.43.944)		20%
• State General Fund		15%
<b>Premium taxes paid by health care organizations (RCW 48.14.0201):</b>		<b>Percent</b>
• State General Fund		Varies
• Fund 17T (Health Care Exchange)		Proportional to premiums
<b>All other premium taxes:</b>		<b>Percent</b>
• State General Fund		Varies
• Fund 17T (Health Care Exchange)		Proportional to premiums

**Administration**

Office of the Insurance Commissioner.

Insurance companies file tax returns by March 1, reporting premiums received during the previous calendar year.

<b>Health care taxpayers and insurers owing \$400 or more for a given calendar year must prepay their premium tax for the following year, as follows:</b>
<ul style="list-style-type: none"> <li>• 45 percent of the prior year's tax due by June 15;</li> <li>• 25 percent due by September 15; and</li> <li>• 25 percent due by December 15.</li> <li>• Reconciliation and payment of the remaining tax is due when the tax return is filed on March 1.</li> </ul>

# Insurance Premiums Tax

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## History

- 2014 Creation of the Health Care Exchange tax account.
- 2009 The legislature eliminated earmarking of the tax on health care insurance.
- 2000 Local government jurisdictions are not allowed to impose a tax similar to the premiums tax on premiums of HMOs, HCSCs, or self-funded multiple employer welfare arrangements.
- 1997 The tax credit for assessments to guaranty associations that was eliminated in 1993 is re-enacted.
- 1994 Tax on health care insurance deposited into the health services account.
- 1993 Legislation shifts health care companies (e.g. health maintenance organizations (HMOs) and health care service contractors (HCSCs)) from the B&O tax to the insurance premiums tax by imposing the two percent premiums tax on their premiums and prepayments, effective January 1, 1994. The revenues are to be devoted to the health services account.
- Also, the legislature eliminates the tax credit for assessments to guaranty associations which pay the claims of policyholders of companies that become insolvent.
- 1986 The foreign and domestic rates are merged into a single rate of two percent. The ocean marine rate remains at 0.95 percent.
- 1982 The foreign, domestic and ocean marine tax rates are increased by 0.16 percent. A surtax of four percent is also added.
- 1949 The foreign rate lowered to two percent, and a lower rate of 0.75 percent for ocean marine insurance is established.
- 1937 The tax rate is reduced to one percent for domestic companies and increased to 2.25 percent for foreign companies.
- 1891 The insurance premiums tax is established. The rate is 2 percent. This is the first state tax imposed in Washington.
-

# Intermediate Care Facilities Tax

**RCW** Chapter 82.65A

**Tax Base** Gross receipts of intermediate care facilities for services provided to individuals with developmental disabilities. These facilities are certified by the Department of Social and Health Services (DSHS), as well as the federal Department of Health and Human Services. They receive Medicaid funds from the federal government.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 6 percent.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$10,203	7.3%	0.05%
2017	\$9,507	5.4%	0.05%
2016	\$9,020	13.1%	0.05%
2015	\$7,978	-8.4%	0.05%
2014	\$8,708	10.9%	0.05%
2013	\$7,851	-0.1%	0.05%
2012	\$7,858	-11.1%	0.05%
2011	\$8,842	-7.2%	0.06%
2010	\$9,531	-4.0%	0.07%
2009	\$9,931	0.6%	0.06%

**Distribution of Receipts** Receipts from this tax are distributed to the State General Fund.

These funds are used to fund the state share of the cost of the facilities. Federal funds are also available on a matching basis for these facilities.

**Levied by** State

**Administration** Department of Revenue.

This tax is reported on the Combined Excise Tax Return.

## Intermediate Care Facilities Tax

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### History

- 1992 Effective April 1, this tax replaced a similar tax that was approved the prior year.
- 1991 A 20 percent tax was levied on the Medicaid receipts of private and non-profit hospitals.
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# Leasehold Excise Tax

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**RCW** Chapter 82.29A

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**Tax Base** Leasehold tax is due when there is a private lease, permit, license, or similar agreement for publicly owned real or personal property. In most instances, the tax is measured by contract rent, which is the amount paid for use of the public property.

Contract rent includes:

- Cash payments
- Rents paid by sub lessees
- Expenditures by the lessee for the protection of the owner’s interests in the property
- Expenditures by the lessee for improvements to the property which become the property of the owner

Contract rent excludes:

- Expenditures that are reimbursed by the lessor
- Expenditures for repair or replacement of facilities due to fire or other casualty
- Expenditures for improvements required by government action taken after the lease was executed
- Improvements subject to personal property tax
- Payments for concession rights

The Department may establish a taxable rent computation when:

- The lease payment was not arrived at through competitive bidding, and the compensation to the lessor does not represent the fair market value of the lease.
- The lease has not been renegotiated for at least ten years.

Tax exemptions may reduce the tax liability for this tax base. For more information refer to the [Tax Exemption Study](#).

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**Tax Rate** 12.84 percent, of which 6.84 percent goes to the state and 6.00 percent goes to local jurisdictions.

Any county or city is authorized to levy and collect a leasehold excise tax

- The maximum total county and city rate is 6 percent
- The maximum county rate is 6 percent
- The maximum city rate is 4 percent and is credited against the county tax

# Leasehold Excise Tax

**Recent Collections (\$000)**

**STATE LEASEHOLD EXCISE TAXES**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$34,150	3.1%	0.2%
2017	\$33,118	0.7%	0.2%
2016	\$32,900	15.4%	0.2%
2015	\$28,504	3.0%	0.2%
2014	\$27,682	1.1%	0.2%
2013	\$27,394	1.2%	0.2%
2012	\$27,077	1.7%	0.2%
2011	\$26,622	3.0%	0.2%
2010	\$25,849	0.9%	0.2%
2009	\$25,613	18.0%	0.2%

**LOCAL LEASEHOLD EXCISE TAXES**

Fiscal Year	Distributions to Cities	Distributions to Counties
2018	N/A	N/A
2017	\$15,571	\$13,014
2016	\$15,717	\$12,869
2015	\$13,139	\$11,130
2014	\$13,052	\$11,110
2013	\$13,590	\$10,680
2012	\$12,864	\$10,425
2011	\$12,472	\$10,065
2010	\$12,013	\$9,931
2009	\$11,947	\$9,548

**Distribution of Receipts**

All state receipts from the state portion of the tax plus an administrative fee for collection of the local tax are deposited into the State General Fund.

Local tax receipts are distributed by the State Treasurer on a bimonthly basis.

- Cities and counties may use the funds for general purposes.
- County receipts must be further distributed to all local taxing districts, except cities, within the county on a pro rata basis.

**Levied by**

State, counties, and cities.

## Leasehold Excise Tax

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**Administration** Department of Revenue.

Public entities that lease property to private lessees remit the tax to the Department on a quarterly basis. Lessees of federal property report directly to the Department on an annual basis.

The Department retains 2 percent of the local tax receipts for collection expenses, as authorized by statute.

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- History**
- 2014 Leasehold excise tax extended to leasehold interests in property owned exclusively by federally recognized Indian tribes. Marijuana-related activities are not eligible for leasehold excise tax preferences.
  - 2013 Assessors do not have to maintain current property values on publicly owned property subject to leasehold excise tax.
  - 2010 Community Centers exempted from property tax for 40 years and subject to leasehold excise tax instead.
  - 2001 Leasehold interest in approximately 3,000 residential and recreational parcels at Lake Cushman in Mason County was shifted from leasehold excise tax to regular property tax even though the property remains in public ownership.
  - 1999 The definition of leasehold interest was modified to exclude right of access to public properties for the purposes of exploring for energy resources or the removal of natural resource products. This removed livestock grazing leases from the tax base. The definition of contract rent for product leases was also changed with respect to the value of products that are removed.
  - 1986 Provision limiting the leasehold excise tax to the amount that would be due under the property tax approved.
  - 1982 7 percent surcharge added.
  - 1976 Legislature repealed the previous system and established the current statute with a rate of 12 percent, of which cities and counties could levy up to 6 percent.
  - 1973 Legislature imposed an excise tax on leases that were effective prior to July 1, 1970, in order to provide some equity for all leases of public

## Leasehold Excise Tax

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property. The rate of the in-lieu excise tax was 14 percent of annual lease payments.

- 1971 Legislature adopted a moratorium on assessment of public leases for property tax purposes until 1974. However, the moratorium only applied to leases contracted since July 1, 1970.
  - 1970 State Supreme Court ruled in the Edgewater Inn case that leasehold interest in publicly owned property could be subject to taxation.
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# Litter Tax

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**RCW** Chapter 82.19

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**Tax Base** The value of products manufactured within the state, or the gross proceeds of products sold at wholesale or retail within the state, for the following categories:

- Food for human or pet consumption
- Groceries
- Cigarettes and tobacco products
- Soft drinks and carbonated waters
- Beer and other malt beverages
- Wine
- Newspapers and magazines
- Household paper and paper products
- Glass containers
- Metal containers
- Plastic or fiber containers made of synthetic materials
- Cleaning agents and toiletries
- Nondrug drugstore sundry products

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** 0.015 percent.

In lieu of separate accounting for all products, RCW 82.19.030(2) authorizes the Department to allow particular types of businesses to report and pay litter tax on a percentage of their total sales. Currently, WAC 458-20-243 allows drugstores to report tax on 50 percent of their total sales and grocery stores to report tax on 95 percent of their total sales.

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## Litter Tax

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**Recent  
Collections  
(\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$11,795	0.6%	0.1%
2017	\$11,727	2.4%	0.1%
2016	\$11,453	5.4%	0.1%
2015	\$10,865	5.5%	0.1%
2014	\$10,302	4.5%	0.1%
2013	\$9,856	4.5%	0.1%
2012	\$9,434	0.8%	0.1%
2011	\$9,360	3.1%	0.1%
2010	\$9,075	2.6%	0.1%
2009	\$8,848	-3.1%	0.1%

**Distribution of  
Receipts**

From July 1, 2013, through June 30, 2019, five million dollars per fiscal year must be deposited to the State Parks Renewal and Stewardship Account, with the remainder deposited into the Waste Reduction, Recycling, and Litter Control Account.

Beginning June 30, 2019, all litter taxes are to be deposited into the Waste Reduction, Recycling, and Litter Control Account, and used by the Department of Ecology as provided under RCW 70.93.180.

**Levied by**

State

**Administration**

Department of Revenue.

The litter tax is reported on the Combined Excise Tax Return by taxpayers who manufacture or sell any products subject to this tax.

### History

- 2017 Legislation was enacted that extended the distribution of \$5 million per fiscal year of litter tax revenue to the State Parks Renewal and Stewardship Account until July 2019.
- 2015 The encouragement of composting was added as a purpose of the litter tax. Additional changes to the specific allowable uses of litter tax funds made in 2013 were, along with other changes, made permanent.
- 2013 Legislation was enacted that distributes \$5 million per fiscal year of litter tax revenue to the State Parks Renewal and Stewardship Account until July 2017. Several changes to the allowable use of litter tax revenue were made.
- 2008 Repealed requirement that the Department of Revenue perform a biennial analysis of the litter tax compliance.
- 2005 A new exemption was added for the sale of prepared food or beverages by caterers where the food or beverages are served for immediate consumption in or on individual non-single-use containers at premises occupied or controlled by the customer.
- 2003 A new exemption was added for food and beverage items consumed indoors on the premises of the seller.
- 1998 The reporting frequency was changed from annually to coincide with the reporting frequency of the individual taxpayer. The Legislature established the requirement that the Department of Revenue perform a biennial analysis of litter tax compliance.
- 1992 Litter tax was established as a separate chapter in the state code, chapter 82.19 RCW. An amendment to state statute granted the Department of Revenue authority to establish a taxable percentage of an industry's litter-related products to simplify the reporting of litter tax.
- 1971 Litter tax was included in the Model Litter Control and Recycling Act and part of chapter 70.93 RCW where it remained until 1992. The purpose is to fund the control of litter within the state.
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# Local Admissions Taxes

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**RCW** 35.21.280, 35.57.100, 36.38.010, & 36.100.210

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**Tax Base** The charge for admission to a place or event. The tax may apply to:

- Season tickets or subscriptions
- Cover charges
- Charges for food and refreshment when free entertainment, recreation, or amusement is provided
- Charges for the rental or use of recreational facilities and equipment
- Charges for vehicle parking if the charge is based on the number of passengers

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to RCW 35.21.280 and 36.38.010.

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**Tax Rate** Maximum of one cent per 20 cents (5 percent) of the admission charge.

King County may levy a tax of one cent per 10 cents (10 percent) of the admission charge for events at the football stadium (Century Link Field) and adjacent exhibition center located in King County.

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**Recent Collections** Collections information may be available from cities, counties, and public facilities districts imposing the tax, or through the Washington State Auditor’s Office, [Local Government Financial Reporting System](#).

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**Distribution of Receipts** Authorized purposes of the levying local jurisdiction or public facilities district.

King County admissions taxes on events at the professional baseball and football stadiums were initially dedicated to principal and interest payments for bonds on the facilities and are now used for maintenance of the baseball stadium.

This tax may be extended to events at regional centers operated by public facilities districts, if the receipts are dedicated to the same facility.

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## Local Admissions Taxes

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<b>Levied by</b>	<p>Cities, towns, counties, and public facilities districts.</p> <ul style="list-style-type: none"><li>• If a city and the county where it resides both levy the tax, the county tax does not apply within the incorporated area of the levying city.</li><li>• For the professional baseball and football stadiums located in the city of Seattle, the tax is levied by King County rather than by the city of Seattle.</li><li>• The admissions tax levied by public facilities districts is limited to regional centers which they operate. Cities and counties are pre-empted from imposing an admissions tax on events at a regional center if the public facilities district levies the tax.</li></ul>
<b>Administration</b>	<p>City clerks, county auditors, and public facilities districts.</p> <p>Persons who charge admissions collect and remit the tax to the appropriate local jurisdiction.</p>
<b>History</b>	<p>2012 Legislation authorized the city of Seattle to collect a temporary admissions tax for certain college games played at the professional football stadium.</p> <p>1999 Admission taxes for tickets to events at regional centers were authorized.</p> <p>1997 Similar provisions were extended to the professional football stadium and exhibition center.</p> <p>1995 An exemption from Seattle’s admissions tax for the new professional baseball stadium and the 10 percent county tax for events at the baseball stadium were adopted.</p> <p>1943 State tax was repealed and authority to levy the tax was given to cities and counties.</p> <p>1935 Original admissions tax included in the Revenue Act of 1935, at the present tax rate, as a state revenue source.</p>

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# Local Employer Tax

**RCW** 81.100.030 and 81.104.150

**Tax Base** Full-time equivalent (FTE) employees of all employers, including private firms and governmental agencies, working within the city or county.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to RCW 81.100.030(1) and 81.104.150.

**Tax Rate** Up to \$2.00 per FTE per month.

**Recent Collections (\$000)** Collections information may be available from cities, counties, or through the Washington State Auditor’s Office, [Local Government Financial Reporting System](#).

**Distribution of Receipts** Proceeds must be used for local transportation-related purposes.

**Levied by** The following entities, upon approval by the voters:

<p><b>High Occupancy Vehicle Systems (RCW 81.100.030):</b> King, Pierce, or Snohomish counties for high occupancy vehicle (HOV) systems (e.g., carpooling programs and HOV lanes) or a regional transportation investment district (RTID) for authorized capital and RTID purposes.</p>
<p><b>High Capacity Transportation (RCW 81.104.150):</b> Cities, counties, metropolitan municipal corporations, public transportation benefit areas, high capacity transportation corridor areas, and regional transit authorities if such districts operate high capacity transportation systems (e.g., commuter rail systems). Such jurisdictions may not levy the tax if the county also levies a local employee tax for HOV systems.</p>

**Administration** The levying jurisdiction may contract with the Department of Revenue or "other appropriate entities" for collection of the tax from employers.

**History** 2017 The local street utility tax option in RCW 82.80.050 was repealed.

## Local Employer Tax

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2009 A new type of taxing jurisdiction, a high capacity transportation corridor area, was added to the jurisdictions authorized to impose the tax under RCW 81.104.150. These areas are restricted to Clark and Spokane Counties.

1990 Authorizing legislation for the local taxes on employees was adopted.

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# Local Gambling Taxes

**RCW** 9.46.110

**Tax Base** Gross receipts derived by operators of gambling activities including:

- Punchboards
- Pull-tabs
- Bingo
- Raffles
- Amusement games
- Social card games

Taxable receipts from bingo, raffles, and amusement games are net of the amount paid as prizes.

Fund-raising activities of charitable and nonprofit organizations pursuant to RCW 9.46.0233 that involve games of chance are subject to these local taxes.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to RCW 9.46.291.

**Tax Rate** Maximum rates:

Type of Game	Tax Rate
Amusement games	2 percent of gross receipts minus prize amounts paid out
Punchboards and pull-tabs by nonprofit organizations	10 percent of gross receipts minus prize amounts paid out
Punchboards and pull-tabs as commercial stimulant	5 percent based on gross receipts, or 10 percent net of prize amounts paid
Bingo and raffles	5 percent of gross receipts minus prize amounts paid out
Social card games	20 percent of gross revenue

Maximum rates for taxes on fund-raising events are not specified in statute, but several jurisdictions tax such events at rates ranging from 1 to 10 percent.

**Recent Collections (\$000)** Collections information may be available from cities, counties, or through the Washington State Auditor’s Office, [Local Government Financial Reporting System](#).

## Local Gambling Taxes

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<b>Distribution of Receipts</b>	Receipts must be used by cities and counties for local gambling enforcement programs.
<b>Levied by</b>	Cities, towns, and counties.  The county tax may apply only in the unincorporated area, regardless of whether or not cities or towns in the same county levy the tax.
<b>Administration</b>	Collection of these taxes is by local officials such as city clerks and the County Treasurer. Licensing and overall regulation of gambling activities are the responsibility of the State Gambling Commission.
<b>History</b>	<p>2000 The tax rate for bingo and raffles was reduced from 10 percent to 5 percent.</p> <p>1997 Differential punchboard and pull-tab rates were adopted.</p> <p>1984 The state tax on coin-operated pull-tab dispensing machines was repealed.</p> <p>1981 The 20 percent tax rate for social card games was adopted.</p> <p>1977 The maximum tax rate for amusement games was reduced to 2 percent and the current nonprofit exemption was enacted.</p> <p>1976 A state tax on coin-operated, pull-tab dispensing machines was enacted.</p> <p>1973 The current statute allowing local taxation of certain nonprofessional gambling activities was enacted after a 1972 constitutional amendment authorized these activities.</p> <p>1952 An earlier gambling tax was eliminated when slot machines were ruled to be an unconstitutional form of lottery.</p> <p>1947 State tax rates on gambling (slot) machine activity doubled.</p> <p>1941 Initial state tax on gambling (slot) machine activity with rates of 10 and 20 percent depending upon the operator's skill level.</p>

# Local Hotel-Motel Tax (State-shared)

**RCW** 67.28.180

**Tax Base** Charges for lodging at hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities for continuous periods of less than one month.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** Up to 2 percent, all cities and counties that levy the hotel-motel tax have adopted the maximum rate.

Per RCW 67.28.1801, the tax is credited against the state retail sales tax of 6.5 percent, so that the hotel-motel tax is not an additional tax for the customer but represents sharing of the state retail sales tax receipts on lodging with cities and counties.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$101,635	14.4%	0.5%
2017	\$88,827	-13.4%	0.5%
2016	\$102,605	7.1%	0.6%
2015	\$95,829	13.6%	0.6%
2014	\$84,362	7.4%	0.5%
2013	\$78,564	4.5%	0.5%
2012	\$75,201	1.4%	0.5%
2011	\$74,138	19.7%	0.5%
2010	\$61,939	-11.6%	0.5%
2009	\$70,087	-2.5%	0.5%

# Local Hotel-Motel Tax (State-shared)

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**Distribution of Receipts** All receipts from this tax are deposited into a suspense account and are then distributed by the State Treasurer to cities and counties within two months following their receipt from hotels and motels.

Hotel-motel tax receipts may be used for promotion of tourism or construction and operation of tourism-related facilities, as well as the operational expenses of special events to attract tourists. A city may not use hotel-motel tax receipts for a facility intended to house a professional sports franchise if the county is already using its tax receipts for such a purpose.

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**Levied by** Cities and counties, currently 281 cities and all 36 counties impose the tax.

For more information about this tax, refer to the [Local Tax Reference Guide](#).

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**Administration** Department of Revenue.

Transient rental income is reported by hotels and motels on the Combined Excise Tax Return Addendum. No reimbursement for the cost of collection is allowed for the Department of Revenue.

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**History** 2002 The tax base was clarified so that long-term rentals would not be subject to the tax, even though the same individual units were not used for each of the 30 plus days.

1991 to 1997 The Legislature repealed the specific uses of hotel-motel tax funds and allowed the tax to be devoted to any tourism-related purpose.

1988 Steam railroads were included in the use of hotel-motel tax funds.

1987 Agricultural promotion was added to the use of hotel-motel tax funds.

1986 Tourism strategies in distressed areas and tall ships in Grays Harbor County were included in the use of hotel-motel tax funds.

1985 Capital improvements in stadiums were added to the use of hotel-motel tax funds.

## Local Hotel-Motel Tax (State-shared)

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- 1979 Arts facilities and tourist promotion were included in the use of hotel-motel tax funds.
  - 1975 The requirement that the city tax must be credited against the county tax (except for Bellevue and Yakima) was added.
  - 1973 Convention centers were added to the use of hotel-motel tax funds and the tax broadened to include any city or county.
  - 1970 The tax was broadened to include the cities of Tacoma and Spokane.
  - 1967 The tax was authorized for King County to provide funding for the King County Stadium (Kingdome).
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# Local Household Tax

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<b>RCW</b>	35.95.040
<b>Tax Base</b>	Persons residing within cities or counties, measured by household units.
<b>Tax Rate</b>	Up to \$1.00 per month per household.
<b>Recent Collections (\$000)</b>	Collection information may be available from cities, counties, or through the Washington State Auditor’s Office, <a href="#">Local Government Financial Reporting System</a> .
<b>Distribution of Receipts</b>	<p>City receipts must be used for operation, maintenance, and capital purposes of municipally operated transportation systems.</p> <p>Any tax levied by a county must be devoted to an unincorporated transportation benefit area, established pursuant to RCW 36.57.100 and RCW 36.57.110.</p>
<b>Levied by</b>	<p>Cities and counties, if approved by the voters.</p> <p>Counties may levy the tax only within the unincorporated area of the county.</p>
<b>Administration</b>	City treasurer or city clerk, county treasurer or county auditor.
<b>History</b>	<p>1975 Authority for counties to levy the tax added.</p> <p>1965 Enabling legislation for the tax adopted.</p>

# Marijuana Excise Tax

**RCW** 69.50.535 and 69.50.540

**Tax Base** The selling price on each retail sale of marijuana concentrates, useable marijuana, and marijuana-infused products. This tax is in addition to state and local retail sales and use taxes.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 37 percent.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$361,169	14.9%	1.7%
2017	\$314,460	69.3%	1.6%
2016	\$185,778	187.9%	1.0%
2015	\$64,530	--	0.4%
2014	\$2	--	--
2013	\$0	--	--
2012	\$0	--	--
2011	\$0	--	--
2010	\$0	--	--
2009	\$0	--	--

Source: Washington State Liquor and Cannabis Board

**Distribution of Receipts** All marijuana excise tax receipts are deposited into the Marijuana Account. Additionally, receipts from license fees, penalties, and forfeitures are also deposited into this account.

RCW 69.50.540 requires the legislature to make appropriations each fiscal year from the Marijuana Account to multiple agencies, universities, and other government entities, including:

- Liquor and Cannabis Board
- Department of Ecology
- State Patrol
- Institute for Public Policy
- Department of Health
- Washington State Health Care Authority
- Office of the Superintendent of Public Instruction
- University of Washington

# Marijuana Excise Tax

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- Washington State University
- Eligible cities and counties

Additional transfers are made from the Marijuana Account to other accounts including the Basic Health Plan Trust Account and the State General Fund.

For more information, refer to RCW 69.50.540.

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**Levied by** State

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**Administration** Liquor and Cannabis Board.

Licensed marijuana retailers collect marijuana excise tax from the buyer and remit to the Liquor and Cannabis Board through an electronic tax filing system. Payment of this tax is due by the 20th day of the month for the previous month’s activity.

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**History**

2015 The 25 percent marijuana excise taxes payable by marijuana producers and processors are eliminated. The 25 percent marijuana excise tax on retailers is modified by imposing the tax on the buyer of marijuana product. The rate is changed to 37 percent and applies to the final retail price of marijuana products subject to the tax.

2015 No marijuana excise tax exemptions were established, but the legislature created a retail sales and use tax exemption for qualifying patients holding a medical cannabis authorization card and their providers.

2014 Marijuana is excluded from certain tax preferences, including all agricultural tax preferences.

2012 Voters passed Initiative 502 legalizing recreational marijuana sales, processing, and production in Washington. I-502 also established a 25 percent excise tax on each level of production (producer to processor, processor to retailer, and retailer to consumer sales) in addition to requiring business and occupation taxes and state and local retail sales and use taxes.

## Marijuana Excise Tax

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1998 Voters passed Initiative 692, which permitted the use of marijuana for medical purposes by qualifying patients. No specific taxes were applied to medical marijuana.

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# Oil Spill Tax

**RCW** Chapter 82.23B

**Tax Base** Crude oil or petroleum products transported into Washington by ship, barge, railroad tank car, or pipeline and off-loaded at an in-state marine terminal or a bulk oil terminal.

The measure of the Oil Spill Response tax and the Oil Spill Administration tax is on the volume of qualifying crude oil or petroleum products.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** Up to 5 cents per 42-gallon barrel:

- The Oil Spill Administration Tax rate is 4 cents per 42-gallon barrel.
- The Oil Spill Response Tax rate is 1 cent per 42-gallon barrel, contingent on the fund balance in the oil spill response account. When the fund balance is less than \$8 million this tax is imposed and will remain in effect until the fund balance exceeds \$9 million.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$4,705	3.4%	0.02%
2017	\$4,551	13.3%	0.02%
2016	\$4,016	26.1%	0.02%
2015	\$3,184	-12.6%	0.02%
2014	\$3,641	-13.5%	0.02%
2013	\$4,211	17.9%	0.03%
2012	\$3,571	-6.7%	0.02%
2011	\$3,828	2.6%	0.03%
2010	\$3,731	-24.9%	0.03%
2009	\$4,966	9.2%	0.03%

# Oil Spill Tax

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## **Distribution of Receipts**

Oil Spill Administration receipts are deposited into the Oil Spill Prevention Account and the Oil Spill Response receipts are deposited into the Oil Spill Response Account. Beginning in FY 2019, the first \$200,000 of receipts from the Oil Spill Administration tax are deposited into the Military Department Active State Service Account.

Oil Spill Prevention Account receipts are used to fund:

- The prevention and response to oil spills in state waters and the control of water pollution.
- Administrative and other prevention costs incurred by the Department of Ecology and the Office of Marine Safety.

Oil Spill Response Account receipts are used for:

- Costs associated with the response to spills, and the imminent threat of spills, of crude oil or petroleum products into state waters.
  - Costs associated with the use of an emergency response towing vessel.
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## **Levied by**

State

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## **Administration**

Department of Revenue.

The tax is imposed on the person who owns the crude oil or petroleum products when the crude oil or petroleum products are received in the storage tanks of a marine terminal or a bulk oil terminal in Washington.

Terminal operators, or taxpayers with direct pay certificates, remit the taxes monthly on the Oil Spill Tax Return. The return is due the 25<sup>th</sup> of the month following the taxable activity.

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## Oil Spill Tax

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### History

- 2018 The tax was extended to oil received at bulk oil terminals from pipelines.
- 2015 The tax was extended to oil received at bulk oil terminals from railroad tank cars.
- 1999 The deactivation trigger for the Oil Spill Response tax decreased from \$10 million to \$9 million, and the activation trigger decreased from \$9 million to \$8 million.
- 1997 The Oil Spill Response tax rate decreased from \$.02 to \$.01 per barrel, and the Oil Spill Administration tax rate increased from \$.03 to \$.04 per barrel. The program's administration was transferred to the Department of Ecology.
- 1992 The imposition of the tax was changed from the owner of the product at the time just prior to off-loading, to the owner when the product is transferred to storage tanks.
- 1991 The tax was adopted at the initial rates of 3 cents per gallon for the administration account and 2 cents for the response account. The statute also created the Office of Marine Safety to administer subsequent programs.
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### Rate Change History

The history of the changes in oil spill tax rates is shown below:

Rate Change Date	Administration Rate	Response Rate
October 1, 1991 (effective date)	3 cents	2 cents
July 1, 1997	4 cents	1 cent
January 1, 2002	4 cents	--
April 1, 2007	4 cents	1 cent
October 1, 2009	4 cents	--
January 1, 2013	4 cents	1 cent
April 1, 2013	4 cents	--
January 1, 2016	4 cents	1 cent

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# Pari-mutuel Tax

**RCW** Chapter 67.16

**Tax Base** Gross receipts of pari-mutuel machines at licensed horse racing events.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

<b>Tax Rate</b>	<b>Nonprofit Race Meets – RCW 67.16.105(1):</b>	
	Maximum of 10 days	Exempt
	<b>Pari-mutuel Tax – RCW 67.16.105(2):</b>	
	Prior year receipts, \$50,000,000 or less	1.803%
	Prior year receipts, more than \$50,000,000	1.3%
	<b>Additional Taxes:</b>	
	Tax to fund nonprofit races - RCW 67.16.105(3)(a)	0.1%
	Tax to finance owner bonuses of Washington-bred horses - RCW 67.16.102	1.0%
	Tax on exotic wagers to finance breeder awards of Washington-bred horses - RCW 67.16.175(2). Race meets may retain 6 percent of the receipts from exotic wagers on live races only. Tax is due on the amount retained.	1/6 of the 6% amount retained

<b>Recent Collections (\$000)</b>	<b>Fiscal Year</b>	<b>Collections</b>	<b>% Change</b>	<b>% of All State Taxes</b>
	2018	\$1,519	-7.1%	0.01%
	2017	\$1,635	-8.3%	0.01%
	2016	\$1,782	2.9%	0.01%
	2015	\$1,732	-4.3%	0.01%
	2014	\$1,809	-2.7%	0.01%
	2013	\$1,860	-8.3%	0.01%
	2012	\$2,029	-8.4%	0.01%
	2011	\$2,216	-8.0%	0.02%
	2010	\$2,409	-1.8%	0.02%
	2009	\$2,452	N/A	0.02%

Source: Washington State Horse Racing Commission

# Pari-mutuel Tax

**Distribution of Receipts**

Tax	Distribution
Pari-mutuel 1.803% and 1.3% taxes	Per RCW 67.16.100, funds are deposited into a dedicated account to be used for operating expenses by the Horse Racing Commission.
0.1% tax to fund nonprofit races	<p>Distributed on a pro rata per-race-day basis to nonprofit race meets to be used for purses at tracks that have operated for five consecutive years immediately preceding the year of payment.</p> <p>If the gross receipts from pari-mutuel machines are not sufficient to generate \$300,000 annually from the additional 0.1 percent tax, the remaining amount is taken from the Horse Racing Commission’s operating account.</p>
1% tax to fund owner bonuses	<p>Distributed by the Commission to the owners of those Washington-bred horses that finish in first, second, third, or fourth place in races at which the additional 1 percent tax was collected.</p> <p>Interest on the amount in the owner's bonus fund account created in RCW 67.16.275 is used to support nonprofit race meets.</p>
Tax to fund breeder awards	Distributed by the Commission to the breeders of those Washington-bred horses that finish in first, second, or third places in races at which an additional 6 percent is retained by the racing association on exotic wagers (wagers other than win, place, or show).

**Levied by** State

**Administration** Horse Racing Commission.

Licensed racetrack operators report daily to the Commission.

## Pari-mutuel Tax

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### History

- 2017 The collection on the additional 1 percent retained by the racing association that is paid to the Horse Racing Commission at the end of the meet is reviewed and determined that it is only required on live races offered at the racing facility and simulcast wagers are exempt.
- 2009 The Horse Racing Commission was granted authority to collect and distribute the additional 1 percent tax on exotic wagers to the breeders of Washington-bred horses. The additional 1 percent is applied to the 6 percent retained daily by the racing association and is paid to the Commission at the end of the licensed race meet.
- 2004 Advance deposit wagering (ADW) and full card simulcasting to satellite locations was authorized. ADW is the ability of Washington residents to wager on races, both in and outside the state, via telephone or by using the Internet. ADW is treated differently than pari-mutuel wagering, which can only take place at a licensed race track or authorized satellite location, and the receipts are distributed differently.
- 2003 The tax rate for race meets with annual gross in-state pari-mutuel receipts of \$50 million or less was increased from 0.52 percent of the daily gross receipts to 1.803 percent.
- 2001 The temporary tax rate reductions made in 1998 were made permanent.
- 1998 A temporary reduction in tax rates was implemented.
- 1991 The top tax rate was reduced to 2.5 percent.
- 1987 Wagering at satellite locations was authorized.
- 1985 The tax rates were reduced to a range of 0.5 to 4 percent.
- 1982 The tax rate schedule was revised.
- 1979 The tax rate was lowered to 4.5 percent for smaller meets.
- 1933 The pari-mutuel tax was instituted at a 5 percent rate.
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# Petroleum Products Tax

**RCW** Chapter 82.23A

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**Tax Base** The tax is a privilege tax imposed on the first possession of petroleum products within the state.

The measure of the tax is based on the wholesale value of the product.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** 0.3 percent until July 1, 2021, and 0.15 percent after July 1, 2021.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$10,245	-69%	0.05%
2017	\$32,665	28%	0.17%
2016	\$25,563	4,830%	0.14%
2015	\$518	-638%	0.00%
2014	-\$96	-110%	--
2013	\$1,001	362%	0.01%
2012	\$217	-92%	0.00%
2011	\$2,680	-94%	0.02%
2010	\$48,073	7794%	0.36%
2009	\$609	-246%	0.00%

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**Distribution of Receipts**

Receipts are deposited into the Pollution Liability Insurance Program Trust Account. Transfers to the Pollution Liability Insurance Underground Storage Tank Revolving Loan and Grant Account are allowed as follows:

- On July 1, 2016, the excess of \$7.5 million up to \$10 million may be transferred.
- Each succeeding biennium the excess of \$7.5 million up to \$20 million may be transferred.

The tax includes a "trigger" mechanism based on the amount of funds in the Pollution Liability Insurance Program Trust Account.

- The tax is not imposed when the trust account balance exceeds \$15 million for the previous calendar quarter.
- The tax is re-imposed when the balance falls below \$7.5 million for the most recent quarter.

## Petroleum Products Tax

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These funds are allocated to the Pollution Liability Insurance Agency and are used to help owners of underground storage tanks obtain insurance to upgraded or replace tanks.

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**Levied by** State

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**Administration** Department of Revenue.

Firms that import, manufacture, or sell petroleum products in this state report on the Combined Excise Tax Return.

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**History**

2016 The Pollution Liability Insurance Underground Storage Tank Revolving Loan and Grant Account is created and funded by transfers from the Pollution Liability Insurance Program Trust Account. The tax rate is reduced to 0.15 percent beginning July 1, 2021. The tax is extended through July 1, 2030.

2012 The tax rate is reduced from 0.5 percent to 0.3 percent. The tax is extended through July 1, 2020.

2006 The tax is extended through June 1, 2013.

2000 The tax is extended through June 1, 2007.

1996 The tax is extended through June 1, 2001.

1989 The tax is first adopted in 1989 with a rate of 0.5 percent.

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## Property Taxes

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RCW

Title 84

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**Tax Base**

Property tax applies to the assessed value of all real and personal property located in Washington, unless specifically exempted. Real property includes land, buildings, improvements and structures.

Locally assessed property is valued by the county assessor, and the county treasurer administers property tax collections. County assessors revalue all real property in their county every year and physically inspect each property at least once every six years. State assessed property such as interstate utility companies are valued by the Department of Revenue each year and taxed by the local county treasurer.

All real and personal property values reflect the highest and best use of the property and their value at 100% of market value. Exceptions include those that apply for valuation as:

- Current use (agricultural, open space, and timber land),
- Designated forest land, or
- Senior citizen and disabled homeowners eligible for a property tax exemption.

Personal property includes machinery, equipment, supplies of businesses, non-attached mobile homes, state-assessed commercial vessels and utility property, or other movable items.

Tax exemptions may shift the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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# Property Taxes

**Tax Rate** County assessors determine property tax rates by dividing the allowed levy amount for the taxing district by the total taxable value of all real and personal property in the taxing district. Property tax rates are the same for both real and personal property. The law provides:

- A statutory maximum rate for regular levy rates,
- A \$5.90 aggregate limit for certain local regular levies, and
- A constitutional one percent limit for all regular levies (except ports and public utility districts).

The [Levy Manual](#) contains the statutory maximum rate for regular taxing districts and explains more about the two aggregate limits.

Taxing district levies, values, and current rates can be found in the [Property Tax Statistics](#).

**Recent Collections (\$000)**

STATE PROPERTY TAX LEVY

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$2,758,216	31.4%	13.1%
2017	\$2,099,211	1.8%	10.9%
2016	\$2,061,206	2.1%	11.4%
2015	\$2,019,486	2.3%	12.0%
2014	\$1,974,125	2.0%	12.3%
2013	\$1,935,875	2.0%	12.6%
2012	\$1,898,427	2.2%	13.2%
2011	\$1,857,334	1.9%	13.0%
2010	\$1,822,667	2.1%	13.6%
2009	\$1,785,323	2.5%	11.7%

Note: Legislation passed in 2017 that raised the state property tax rate. The first year of increased collections due to this change is seen in Fiscal Year 2018.

Additional property tax collections information can be found in the [Property Tax Statistics](#).

**Distribution of Receipts** The state school property tax levy is deposited into the State General Fund for the support of basic education.

County treasurers distribute local property taxes to each taxing district.

## Property Taxes

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<b>Levied by</b>	<p>The state levies the state school property tax levy, which the Department of Revenue calculates and apportions to each county.</p> <p>Counties, cities, school districts, fire districts, ports, libraries, public utilities, hospitals, parks, and other types of local taxing districts levy local property tax levies.</p>
<b>Administration</b>	<p>The county assessors determine the property tax rates allowed by the law for their portion of the state school property tax levy and most local levies. Regional libraries calculate their own levy rates and provide county assessors this information.</p> <p>County treasurers collect and distribute property taxes.</p> <p>Property owners pay at least one-half of the tax due by April 30th and the rest of the tax by October 31st. Penalties and interest apply to late payments. If payments are delinquent for more than three consecutive years, the property is subject to foreclosure action.</p>
<b>History</b>	<p>Property taxes started while Washington was still a territory. A list of the significant events in history for property taxes in Washington can be found in the <a href="#">Levy Manual</a>.</p>

# Public Utility District Privilege Tax

**RCW** Chapter 54.28

**Tax Base** Tax applies when a public utility district (PUD) generates, distributes, and sells electricity.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate**

Hydroelectric Dams and Other Electric Generating Facilities:
<ul style="list-style-type: none"> <li>• 2 percent of gross revenue from the sale of power to consumers that is distributed through the district’s own distribution system; plus</li> <li>• 5 percent of the first 4 mills per kilowatt-hour of the:                             <ul style="list-style-type: none"> <li>○ wholesale value of self-generated energy distributed to its own customers, and</li> <li>○ revenue from the sale for resale of self-generated energy.</li> </ul> </li> <li>• For each rate above, an additional 7 percent surtax is imposed.</li> </ul>
Thermal Electric Generating Facilities <sup>1</sup> :
<ul style="list-style-type: none"> <li>• 1.5 percent of wholesale value of energy produced for sale or use. An additional 7 percent surtax is imposed.</li> </ul>

<sup>1</sup>Plants with a design capacity of 250,000 kilowatts or more located on a federal reservation which utilize steam derived from fossil or nuclear fuels and which became operational after September 21, 1977. This rate applies only to Washington Public Power Supply System Nuclear Project #2 operated on the Hanford reservation by the Washington Public Power Supply System.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$56,942	5.6%	0.3%
2017	\$53,903	5.3%	0.3%
2016	\$51,180	0.5%	0.3%
2015	\$50,924	3.2%	0.3%
2014	\$49,342	3.2%	0.3%
2013	\$47,816	6.7%	0.3%
2012	\$44,815	12.9%	0.3%
2011	\$39,710	1.5%	0.3%
2010	\$39,123	-7.2%	0.3%
2009	\$42,175	1.2%	0.3%

# Public Utility District Privilege Tax

**Distribution of Receipts**

The distribution of receipts from this tax are summarized below:

Hydroelectric Dams and Other Electric Generating Facilities:
Base tax rate, 2 percent of gross revenue and 5 percent of first 4 mills <ul style="list-style-type: none"> <li>• 4% State General Fund</li> <li>• 96% further distributed as follows:                             <ul style="list-style-type: none"> <li>○ 37.6% State General Fund for public schools</li> <li>○ Remaining tax distributed proportionately to counties in which the generating facility is located</li> </ul> </li> </ul>
100% of the 7% surtax is distributed into the State General Fund.

Thermal Electric Generating Facilities:
Base rate, 1.5 percent of wholesale value <ul style="list-style-type: none"> <li>• 4% State General Fund</li> <li>• 96% further distributed as follows:                             <ul style="list-style-type: none"> <li>○ 50% State General Fund for public schools</li> <li>○ 22% to counties</li> <li>○ 23% to cities</li> <li>○ 3% to fire protection districts</li> <li>○ 2% to library districts</li> </ul> </li> <li>• The local taxing districts receive amounts in proportion with their respective populations.</li> </ul>
100% of the 7% surtax is distributed into the State General Fund.

**Levied by**

State and cities.

Municipalities may tax PUD facilities located within the city. The tax is based on gross revenues from the sale of electricity to consumers within the city. The maximum tax rate is not specified; therefore, it is assumed the 6 percent limit for municipal utility taxes would apply to this tax.

**Administration**

Department of Revenue.

Public utility districts report the tax on the PUD Privilege Tax Return at the same frequency as their excise tax return. However, the Department may allow taxpayers to report this tax annually. Before 2018, the Department calculated the amount of tax due and notified the districts. The districts had to pay that amount by June 1.

Upon receipt of the tax, the Department instructs the State Treasurer to disburse the receipts to the proper funds and local jurisdictions.

## Public Utility District Privilege Tax

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### History

- 2017 Legislation made the general administrative provisions of Title 82 applicable to the PUD privilege tax. Public utility districts will continue to file and pay annually.
- 2011 Legislation added 54.28.090(2) which specifies special distribution for certain districts.
- 2010 Legislation added “regularly recurring charge billed to consumers as a condition of receiving electric energy” to the definition of gross income.
- 2004 Legislation clarified that when public utility districts provide wholesale telecommunications services they must separately account for those revenues.
- 1983 Surtaxes were made permanent.
- 1982 Surtaxes totaling 7 percent were added to PUD tax rates resulting in the current tax rates.
- 1977 The 1.5 percent rate on wholesale value of power for nuclear generating plants at Hanford was established.
- 1959 The rate structure modified with the addition of the millage rate of the first 4 mills.
- 1949 The rate structure was modified when the tax on self-generated energy was included.
- 1941 The PUD privilege tax was enacted at an initial rate of 2 percent of gross revenue.
-

# Public Utility Tax

RCW Chapter 82.16

**Tax Base** Gross income derived from operation of public and privately owned utilities, including businesses that engage in transportation, communications, and the supply of energy and water. This tax is in lieu of the B&O tax and is applied only on sales to consumers. Other income of the utility firm, such as retail sales of tangible personal property, is subject to B&O tax.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** Six different rates apply, depending upon the specific utility activity. The rates, including permanent surtaxes imposed under RCW 82.16.020(2), are:

Classification	Rate
Telegraph companies, distribution of natural gas, and collection of sewerage	3.852%
Generation/distribution of electrical power	3.8734%
Urban transportation and watercraft vessels under 65 feet in length	0.642%
Motor transportation, railroads, railroad car companies, and all other public service businesses	1.926%
Distribution of water	5.029%
Log Transportation	1.3696%

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$421,403	-1.1%	2.0%
2017	\$425,985	1.3%	2.2%
2016	\$420,623	5.0%	2.3%
2015	\$400,482	-3.2%	2.4%
2014	\$413,682	4.6%	2.6%
2013	\$395,622	4.9%	2.6%
2012	\$377,245	-5.8%	2.6%
2011	\$400,380	7.2%	2.8%
2010	\$373,621	-3.2%	2.8%
2009	\$386,101	1.5%	2.5%

# Public Utility Tax

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**Distribution of Receipts** Unless otherwise specified, receipts from this tax are deposited into the State General Fund.

Through June 30, 2023:

- 20 percent of receipts from the base 4.7 percent tax on the activity of water distribution, and
- 60 percent of receipts from the base 3.6 percent tax on the activity of sewerage collection are deposited into the Education Legacy Trust Account.

On July 1, 2023, these receipts are deposited in the Public Works Assistance Account.

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**Levied by** State

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**Administration** Department of Revenue.

Public utility businesses report on the Public Utility Addendum to the Combined Excise Tax Return.

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**History**

2017 Distribution of receipts to the Education Legacy Trust Account for water distribution and sewerage collection activities are extend through FY 2023.

2013 Rate for transporting logs on public highways expired June 30.

2009 Rate for transporting logs on public highways reduced to 1.28 percent.

1996 Rate for rail and rail car businesses reduced to 1.8 percent.

1989 Pursuant to a court decision in the Washington Water Power case, generation of electric power for sale out of state is exempt from public utility and B&O tax. Rate increase to 3.62 percent for power produced in Washington.

1986 Garbage collection returned to B&O tax and new refuse collection tax. Warehousing transferred from public utility to B&O tax.

1985 Funding for local public works via public utility tax. Sewerage and refuse collection transferred from B&O tax to public utility tax. Sewerage tax at 3.6 percent. Water distribution and refuse collection businesses taxed

## Public Utility Tax

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- at 4.7 percent. 70 percent of moneys collected from refuse collection are deposited in public works assistance account.
- 1983 Telephone service is a retail sale subject to B&O and retail sales tax, not public utility tax.
- 1982 Utility tax rates have an additional surcharge of 4 percent beginning in April and increased to 7 percent in July. Gas distribution rate increased to 3.6 percent.
- 1981 Competitive telephone service subject to sales tax instead of public utility tax.
- 1971 Rate for gas distribution increased from 2.4 to 3 percent.
- 1967 Rates increased: railroad to 3.6 percent, gas distribution to 2.4 percent, urban transportation and vessels under 65 feet in length to 0.6 percent, and motor transportation, tugboat and all other public services businesses to 1.8 percent.
- 1965 Tugboat businesses are taxed under motor transportation instead of vessels.
- 1961 Definition for highway transportation changed to motor transportation.
- 1957 Surtax rate increased to 20 percent.
- 1951 Additional surtax of 10 percent was added to the public utility tax rate.
- 1939 Common carrier railroad in which 80 percent of their business is from operating as a plant facility pays one-fourth of one percent on the plant activity. The remaining business activity is taxed at three percent.
- 1935 Public utility tax was established as a separate tax and the rates remained the same.
- 1933 Utility operations were included under the 1933 Business Activities Tax. Rates were 3 percent for most utilities, 2 percent for distribution of gas, 0.5 percent for urban transportation and vessels, and 1.5 percent for highway transportation and all other public services. Two years later the public utility tax was established as a separate tax, but the same rates were retained.

# Real Estate Excise Taxes

**RCW** Chapters 82.45 and 82.46

**Tax Base** Sales of real estate measured by the selling price, including the amount of any liens, mortgages, or other debts. The tax is typically paid by the seller of the property.

The tax also applies to transfers of controlling interests in entities that own property in the state.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate**

State Tax:	
• 1.28 percent	
City and County Taxes Authorized:	Percent
• Financing of capital improvements	0.25%
• Financing capital projects specified in a comprehensive plan	0.25%
• Financing for general purposes – may only be imposed if the city or county does not levy the optional 0.5 percent sales tax	0.50%
County Only Taxes Authorized:	Percent
• Financing for acquiring and maintaining conservation areas	1.00%
• Financing for acquisitions, construction, and operation of affordable housing facilities for persons with: <ul style="list-style-type: none"> <li>○ low/moderate income, or</li> <li>○ special needs</li> </ul>	0.50%

# Real Estate Excise Taxes

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$1,183,271	8.7%	5.6%
2017	\$1,088,609	13.5%	5.7%
2016	\$959,492	18.6%	5.3%
2015	\$808,977	22.2%	4.8%
2014	\$662,132	13.4%	4.1%
2013	\$583,763	38.2%	3.8%
2012	\$422,360	11.2%	2.9%
2011	\$379,748	-7.8%	2.7%
2010	\$411,871	-3.3%	3.1%
2009	\$426,048	-40.6%	2.8%

**Distribution of Receipts**

Until June 30, 2023, receipts from the state tax are distributed as follows:

Net proceeds to State:	Percent
• State General Fund	92.3%
• Public Works Assistance Account	2.0%
• Education Legacy Trust Account	4.1%
• City/County Assistance Fund	1.6%
Penalties:	Percent
• Penalties on delinquent tax payments are deposited into the housing trust fund	100%

Note: 1.3 percent of the state tax collected is retained by the counties for administration costs.

Receipts from cities and counties are distributed as follows:

Net proceeds to Counties	Percent
• County Current Expense Fund	1.0%
• County Capital Improvements Fund	99.0%
Net proceeds to Cities	Percent
• Distributed to respective cities/towns to be placed in Municipal Capital Improvements Funds	100%

**Levied by**

State, cities, and counties.

# Real Estate Excise Taxes

**Administration**

<b>State Tax:</b>
<ul style="list-style-type: none"> <li>• The Department of Revenue is responsible for the state tax.</li> <li>• County treasurers collect the state taxes             <ul style="list-style-type: none"> <li>○ When there is a transfer of controlling interests in entities that own property, that tax is reported directly to the Department</li> <li>○ Counties retain 1.3 percent of the collections from the state tax as compensation for collecting the tax.</li> <li>○ State tax collected is remitted to the State Treasurer by the last working day of each month.</li> </ul> </li> </ul>
<b>Local Taxes:</b>
<ul style="list-style-type: none"> <li>• County treasurers collect the local real estate excise taxes.             <ul style="list-style-type: none"> <li>○ Buyers or sellers pay the tax when filing the affidavit required when property is sold.</li> <li>○ Counties retain 1.3 percent of the 0.25 percent used for financing of capital improvements and the 0.5 percent used for general purposes as compensation for collecting the tax.</li> </ul> </li> </ul>

**History**

- 2017 The 2 percent distribution to the public works assistance account was extended through June 30, 2023.
- 2010 Changes were made to who is liable for the REET when there is a controlling interest transfer to address differences between publicly traded corporations and closely held entities.
- 2009 Legislation imposed a \$5 fee on each real estate affidavit filed. Receipts are used to finance county assessor costs for annual updating of assessed values.
- 2005 Legislation (1) created an electronic payment system and new fees to finance system costs, (2) advanced transmittal of the state tax from the 20th day of the following month to the last working day of the current month, and (3) increased the county administrative fee to 1.3 percent.  
  
The public works account distribution was reduced from 7.7 percent to 6.1 percent, and a new distribution of 1.6 percent to provide assistance to cities and counties was created.
- 2002 The 1 percent local tax for affordable housing was established.

## Real Estate Excise Taxes

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- 1999 Controlling interests were defined as any acquisition of an entity within a 12-month period.
- 1993 The tax was extended to the acquisition of a controlling interest in an entity which owns real property. The exemption for sales of real estate to a governmental entity was repealed.
- 1990 The 1 percent county tax for conservation areas and the 0.25 percent city/county tax for capital projects specified in a comprehensive plan were authorized.
- 1987 The legislature repealed the conveyance tax, and raised the rate of the real estate excise tax from 1.07 percent to 1.28 percent. An additional real estate excise tax of 0.06 percent was temporarily imposed to provide funding for state acquisition of conservation lands.
- 1982 Two surtaxes were applied to the state rate, increasing it to 1.07 percent. The 0.25 percent tax for capital purposes and 0.5 percent tax in lieu of the optional local sales tax were authorized.
- 1981 Real estate excise tax was shifted to the state consistent with a 1977 court ruling that funding for basic education is a state responsibility. Collections remained with the county treasurers.
- 1951 The real estate excise tax was initially authorized as a county tax. The rate was 1 percent and all receipts except for a 0.5 percent administrative fee were dedicated to school districts.
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# Rental Car Tax (State)

**RCW** 82.08.020(2) and 82.08.011

**Tax Base** Retail car rentals.

Retail car rentals involve the rental of passenger cars by rental car companies to customers, without drivers, for periods not in excess of 30 consecutive days.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 5.9 percent.

Rentals are also subject to state and local retail sales tax.

For information about the local portion of this tax that counties and other jurisdictions may impose refer to the [Local Tax Reference Guide](#).

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$34,047	4.4%	0.2%
2017	\$32,611	2.7%	0.2%
2016	\$31,765	8.7%	0.2%
2015	\$29,218	8.9%	0.2%
2014	\$26,826	16.4%	0.2%
2013	\$23,039	-2.7%	0.2%
2012	\$23,672	2.7%	0.2%
2011	\$23,044	7.2%	0.2%
2010	\$21,489	-5.6%	0.2%
2009	\$22,768	-5.9%	0.1%

**Distribution of Receipts** Receipts of the state tax are deposited into the Multimodal Transportation Account.

Receipts from sales/use taxes are deposited in the State General Fund.

**Levied by** State

# Rental Car Tax (State)

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**Administration** Department of Revenue.

Rental car companies collect the state tax from customers and report on an addendum to the Combined Excise Tax Return.

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**History** 2000 With the repeal of the motor vehicle excise tax, effective January 1, 2000, the receipts from the state rental car tax were transferred into the newly created Multimodal Transportation Account.

1992 The initial rental car tax was adopted, and the state rental car rate was effective January 1, 1993.

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# Replacement Vehicle Tire Fee

**RCW** 70.95.510, 70.95.515, 70.95.521, and 70.95.532

**Tax Base** Retail sales of new replacement vehicle tires, which does not include retreaded vehicle tires.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** \$1.00 per tire.

Vendors are allowed to retain 10 percent of the fee receipts to cover the cost of collection.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$4,123	-3.3%	0.02%
2017	\$4,262	-0.3%	0.02%
2016	\$4,276	15.2%	0.02%
2015	\$3,713	-1.3%	0.02%
2014	\$3,763	2.4%	0.02%
2013	\$3,674	1.0%	0.02%
2012	\$3,638	-4.5%	0.03%
2011	\$3,809	4.9%	0.03%
2010	\$3,632	0.8%	0.03%
2009	\$3,602	-5.3%	0.02%

**Distribution of Receipts** All receipts from this tax are deposited into the Waste Tire Removal Account. On September 1 of odd-numbered years, any balance in excess of \$1 million is transferred to the Motor Vehicle Account.

Department of Ecology uses the funds to clean up and prevent unauthorized piles of waste vehicle tires.

**Levied by** State

## Replacement Vehicle Tire Fee

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**Administration** Department of Revenue.

Vendors of new replacement vehicle tires report collections on the Combined Excise Tax Return. The fee receipts are considered trust funds of the state.

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**History**

2017 On September 1<sup>st</sup> of odd-numbered years, any balance in excess of \$1 million in the waste tire removal account must be transferred to the Motor Vehicle Account.

2009 The expiration date of July 1, 2010, was repealed.

2005 For a second time, the legislature adopted the \$1.00 per tire fee.

1994 The tire fee expired on September 30.

1989 The rate was changed to a fee of \$1.00 per tire.

1985 A similar fee was established at a rate of 0.12 percent of the gross receipts derived from the retail sales of replacement vehicle tires.

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# Retail Sales Tax

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**RCW** Chapter 82.08

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**Tax Base** Selling price of tangible personal property and certain services purchased at retail, by consumers.

In general, the tax applies to:

- Goods
- Construction, including labor and services
- Repair of tangible personal property
- Lodging for less than 30 days
- Certain recreational activities
- Some personal and professional services, such as landscape maintenance and physical fitness

The definition of “retail sale,” which contains a complete list of items and transactions subject to sales tax, is in RCW 82.04.050.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** 6.5 percent.

An additional 0.3 percent state tax applies to sales of new or used motor vehicles.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$10,291,675	8.2%	48.8%
2017	\$9,514,975	6.0%	49.5%
2016	\$8,979,623	8.8%	49.6%
2015	\$8,255,132	6.9%	48.9%
2014	\$7,720,827	7.1%	48.2%
2013	\$7,208,288	6.7%	47.0%
2012	\$6,755,380	1.5%	46.8%
2011	\$6,654,104	3.2%	46.6%
2010	\$6,448,090	-6.6%	48.1%
2009	\$6,903,654	-10.9%	45.1%

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# Retail Sales Tax

**Distribution of Receipts** Receipts from the state retail sales tax are deposited into the State General Fund, subject to the following exceptions:

Account	Distribution	RCW
Multimodal Transportation	The additional 0.3 percent tax on new and used motor vehicles is for use in financing improvements to the state transportation system.	82.08.020(3)
Advanced Environmental Mitigation	State sales/use tax paid on leaded racing fuel is dedicated to the advanced environmental mitigation account.	82.32.394
Performance Audits of Government	A portion of the state sales tax collections (0.16 percent) is used to finance the costs of performance audits by the State Auditor.	82.08.020(5)
Various	State sales/use tax paid on transportation projects undertaken by a regional transportation investment district is earmarked to pay for debt service on the project.	82.32.470

**Levied by** State

For information about local sales taxes, refer to the [Local Tax Reference Guide](#) or the [Association of Washington Cities \(AWC\)](#).

**Administration** Department of Revenue.

Retail vendors collect sales tax from purchasers at the time of sale using tax rate schedules supplied by the Department. Sales tax receipts are legally considered trust funds of the state. Total transactions are reported on the seller's Combined Excise Tax Return and receipts are remitted to the Department.

**History** 2018 Required remote sellers, marketplace facilitators, and referrers meeting specified sales or income thresholds to elect to either collect sales or use tax on sales to Washington consumers, or comply with specified use tax notice and reporting requirements. Also required marketplace facilitators subject to these provisions to make the

## Retail Sales Tax

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required election on behalf of sellers making sales through its marketplace.

- 2018 Extended the expiration date of the sales tax exemption for certain add-on automotive equipment purchased by eligible veterans or active duty members of the United States Armed Forces to July 1, 2028.
- 2018 Expanded the sales tax exemptions for anaerobic digesters until January 1, 2029, to include biogas processing equipment used by anaerobic digesters and persons processing biogas from landfills. Also removed anaerobic digestion and landfill gas as types of renewable energy sources eligible for the 75 percent refund of the sales taxes paid for machinery and equipment used directly in generating electricity from an eligible renewable energy source and installation charges for such equipment.
- 2017 Extended the due date of the first payment due under the sales tax deferral for historical auto museums.
- 2017 Martial arts reclassified from a retail sale to a B&O service and other activity.
- 2017 The Invest in Washington program expanded to allow for the annual approval of sales and use tax deferrals for up to two manufacturing facilities, one of which must be located in eastern Washington and one of which must be located in western Washington. The deferral applies to qualified buildings or qualified machinery and equipment, including labor and services rendered in respect to the planning, construction, and installation.
- 2017 Removed the sales tax exemption for bottled water.
- 2017 Allows a disabled or severely disabled veteran to apply to the Department for a remittance of the state portion of retail sales tax paid for materials incorporated in and/or labor and services rendered in respect to adapted housing performed under certain grants awarded by the United States Department of Veterans Affairs.
- 2016 Modified existing sales tax exemptions on clean alternative fuel vehicles.
- 2016 New building construction located in an international airport with a population that exceeds 1.5 million that will be owned by or leased

## Retail Sales Tax

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- from a port district, political subdivision, or municipal corporation by a federal aviation regulation part 145 certificated repair station is exempt from sales tax. The exemption is in the form of a remittance.
- 2016 Allows representatives of an out-of-state business to attend or participate in, including exhibiting, a single trade convention in Washington per year without that activity causing the business to have physical presence nexus with the state.
- 2015 Certain aspects of the taxability of certain amusement, recreation, and physical fitness services changed.
- 2015 Adopted click-through nexus for retail sales tax.
- 2014 Sales of vessel deconstruction services are exempt from sales and use tax.
- 2013 Purchases of certain motor vehicle equipment and services that assist disabled veterans are exempt from sales and use tax.
- 2013 Removed sales and use tax exemption for local residential landline service, as well as coin-operated telephone service.
- 2011 Restaurant meals provided to employees are exempt from sales and use tax.
- 2010 Sales of certain equipment and infrastructure contained in data centers are exempt from sales and use tax.
- 2009 Sales and use tax is imposed on the following:
- Digital goods, such as digital audio works, digital audio-visual works, digital books, and other products transferred electronically;
  - The installing, repairing, altering, or improving of digital goods;
  - Digital automated services (services transferred electronically that use one or more software applications);
  - Digital codes used to obtain digital goods or digital automated services; and
  - Remote-access software (that is, the service of furnishing access and use of prewritten computer software, where the seller or a third party maintains possession of the software).
- 2008 Remittance program adopted for low-income families eligible for the federal earned income tax credit. (Program remains unfunded.)

## Retail Sales Tax

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- 2007 Final adoption of national streamlined sales tax, effective July 1, 2008.
- 2006 Deferral/exemption for biotechnology manufacturing facilities in any county; exemptions for diesel fuel used on farms and replacement parts for farm machinery; three new state-credited local taxes authorized.
- 2005 Deferral/exemption for fruit and vegetable processing facilities.
- 2004 Deferral/exemption programs extended (rural counties to 2010 and high technology R&D to 2015).
- 2003 The first differential state sales tax rate according to the item being purchased: an additional 0.3 percent rate applies only to new/used motor vehicles.
- 2003 Major portions of the national model streamlined sales tax base adopted to make Washington's tax more uniform with other states.
- 1997 Remittance for state sales tax paid on construction of certain large warehouse and distribution facilities and grain elevators.
- 1995 Exemption for manufacturing machinery and equipment.
- 1994 Tax deferral for high technology businesses.
- 1993 Tax extended to landscape maintenance, tour operators, physical fitness and certain personal services such as health spas, massage (repealed in 1995), and tanning and dating services.
- 1985 Sales tax deferral for qualified improvements by manufacturing and R&D firms in rural counties.
- 1984 Voters approve initiative exempting trade-ins.
- 1983 Telephone service, except local residential and coin-operated, subject to tax.
- 1982 Tax temporarily re-imposed on food for 14 months.
- 1981 The 1972 manufacturer's tax deferral is repealed.

## Retail Sales Tax

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- 1977 Voters approve initiative exempting food for off-premises consumption, effective July 1, 1978.
  - 1975 Tax paid by the contractor as a consumer is extended to materials incorporated into construction projects for the federal government (upheld by the U.S. Supreme Court in 1983).
  - 1974 Prescription drugs exempted.
  - 1972 Sales tax deferral for certain manufacturing improvements.
  - 1971 State road construction is subject to tax.
  - 1970 Initial local sales/use tax authorized (see local sales/use tax).
  - 1967 Initial sharing of tax (2 percent of the 4.5 percent rate) on hotel-motel accommodations with local government (see local hotel-motel tax).
  - 1965 Exemption for residents of states with sales taxes below 3 percent.
  - 1961 Tax extended to amusement/recreation activities, parking, title/escrow services.
  - 1959 Tax extended to rental of personal property and clearing land.
  - 1951 Tax extended to hotel and motel accommodations.
  - 1941 Services rendered to real property subject to tax.
  - 1939 All food items and services to personal property became taxable.
  - 1935 With the advent of the sales tax in 1935, Washington pioneered the use of "tax tokens." Because prices of taxable items were much less in the 1930s and because the initial tax rate was much lower, there were instances of sales tax liability totaling less than one cent. Tokens – initially worth one-half of one cent – helped solve this administrative dilemma. Tokens were widely used from 1935 until they were discontinued in 1951.
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## Soft Drinks Syrup Tax

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**RCW** 82.64

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**Tax Base** Syrup used in making carbonated beverages. Syrup is defined as a concentrated liquid to which carbonated water is added to produce a carbonated beverage. The tax is imposed on wholesale or retail sales of syrup within the state.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** \$1.00 per gallon.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$14,915	109%	0.07%
2017	\$7,122	-18%	0.04%
2016	\$8,650	26%	0.05%
2015	\$6,847	-10%	0.04%
2014	\$7,636	-11%	0.05%
2013	\$8,575	200%	0.06%
2012	\$2,855	-82%	0.02%
2011	\$16,041	88%	0.11%
2010	\$8,553	2%	0.06%
2009	\$8,365	-741%	0.05%

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**Distribution of Receipts** All receipts from this tax are deposited into the State General Fund.

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**Levied by** State

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**Administration** Department of Revenue.

Wholesalers collect the tax from retail purchasers such as restaurants and others who sell fountain soft drinks or it is reported directly by wholesalers who use syrup to bottle non-trademarked beverages. Any successive sale of previously taxed syrup is exempt. The tax is reported on the Combined Excise Tax Return.

## Soft Drinks Syrup Tax

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### History

- 2009 Repealed dedication of syrup tax receipts to the violence reduction and drug enforcement account.
- 1994 Voters approved Referendum 43 which extended the syrup tax by eliminating the expiration date. This measure also repealed the carbonated beverage tax on canned and bottled drinks and increased the syrup tax from \$0.75 to \$1.00 per gallon.
- 1991 The tax was modified from a first possession tax to one that applies at both the wholesale and retail level, but exempts subsequent sales of previously taxed products.
- 1989 The first carbonated beverage and syrup tax was effective July 1, 1989. The original tax applied to canned and bottled carbonated beverages at a rate of 0.084 cents per ounce plus a 75 cent tax per gallon of syrup used to produce carbonated beverages. Originally scheduled to expire after six years.
-

# Solid Waste Collection Tax

**RCW** Chapter 82.18

**Tax Base** Charges to the consumer for solid waste collection services by firms that collect, transfer, store, or dispose of solid waste. The charge does not apply to hazardous or toxic wastes or materials collected primarily for recycling or salvage.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 3.6 percent.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$48,506	7%	0.2%
2017	\$45,239	5%	0.2%
2016	\$42,912	7%	0.2%
2015	\$40,047	7%	0.2%
2014	\$37,352	5%	0.2%
2013	\$35,530	4%	0.2%
2012	\$34,281	2%	0.2%
2011	\$33,585	1%	0.2%
2010	\$33,258	2%	0.2%
2009	\$32,480	-1%	0.2%

**Distribution of Receipts** Receipts are distributed as follows:

- Fiscal year 2016 to 2018: Fifty percent of the total receipts are deposited into the State General Fund and fifty percent are deposited into the Education Legacy Trust Account.
- Fiscal year 2019 to 2023: All receipts are deposited into the Education Legacy Trust Account.
- Subsequent years: All receipts are deposited into the Public Works Assistance Account.

**Levied by** State

## Solid Waste Collection Tax

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**Administration** Department of Revenue.

The tax is collected from the consumer and remitted to the Department by the service provider on the Combined Excise Tax Return.

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**History**

2017 Legislation extended receipts deposited into Education Legacy Trust Account from fiscal year 2019 to fiscal year 2023.

2013 Legislation changed where receipts from this tax are deposited for fiscal years 2016 and beyond, as noted above.

2012 Legislation changed where receipts from the tax are deposited. From July 1, 2011, through June 30, 2015, solid waste collection tax is deposited in the State General Fund. For fiscal years 2016 through 2018, fifty percent of the receipts are deposited in the State General Fund with the remainder deposited in the Public Works Assistance Account.

1995 The 1 percent companion solid waste collection tax no longer levied on customers of refuse collection firms after June 30, 1995.

1989 The name of the tax was changed from "refuse" to "solid waste" collection tax. A companion tax of 1 percent was levied on customers of solid waste collection businesses.

1986 Tax was enacted as a refuse collection tax paid by the consumer using the refuse collection services. Previously, refuse collection had been subject to the public utility tax.

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## Spirits Liter Tax

**RCW** 82.08.150, 82.08.155, 82.08.160, and 82.08.170

**Tax Base** Sales of spirits in unopened original packaging. The term “spirits” means any beverage containing alcohol obtained by distillation, except flavored malt beverages, and wines with more than 24 percent alcohol by volume.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** The overall tax rate is \$3.7708 per liter:

Tax	Rate per liter	RCW
Base tax	\$1.72	82.08.150(3)
Surtax, 14% of base tax	\$0.2408	82.08.150(4)
Additional	\$0.07	82.08.150(5)
Additional	\$0.41	82.08.150(6)(c)
Additional	\$1.33	82.08.150(7)(a)

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$157,388	3.7%	0.7%
2017	\$151,822	2.9%	0.8%
2016	\$147,541	3.8%	0.8%
2015	\$142,137	1.9%	0.8%
2014	\$139,549	0.7%	0.9%
2013	\$138,635	4.0%	0.9%
2012	\$133,250	6.4%	0.9%
2011	\$125,256	1.8%	0.9%
2010	\$123,000	-1.7%	0.9%
2009	\$125,116	2.1%	0.8%

**Distribution of Receipts** All components of the spirits liter tax are deposited into the State General Fund.

**Levied by** State

**Administration** Department of Revenue.

## Spirits Liter Tax

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### History

- 2011 Voters passed initiative 1183, which privatized all liquor sales. Before this initiative passed, the Liquor Control Board was the sole supplier of spirits in the state and sold spirits at a bottle price that included the spirits tax, which was then remitted to the Department of Revenue. The initiative made the Department of Revenue responsible for collecting the spirits liter tax.
- 2009 Receipts from the 7 cent tax for drug programs, the 41 cent tax for healthcare and a portion of the \$1.33 shifted to the general fund.
- 2005 Rate increased to \$1.33 per liter.
- 1997 Additional tax for health care of 41 cents per liter.
- 1995 Additional tax for health care increased to 30 cents per liter.
- 1994 Temporary 7 cent per liter tax to fund drug education and enforcement programs made permanent.
- 1993 Additional tax for health care enacted at 20 cents per liter.
- 1989 Temporary 7 cent per liter tax to fund drug education and enforcement programs.
- 1982 Rate increased to \$1.9608 per liter through surtax.
- 1981 Rate increased to \$1.72 per liter and the basis of the tax changed from ounces to liters.
- 1971 Rate increased to 4 cents per ounce.
- 1965 Rate increased to 2 cents per ounce.
- 1961 Liquor liter tax established at 1.1 cents per ounce.
-

## Spirits Sales Tax

**RCW** 82.08.150, 82.08.155, 82.08.160, and 82.08.170

**Tax Base** Sales of spirits to consumers and restaurant licensees in unopened original packaging. The term “spirits” means any beverage containing alcohol obtained by distillation, except flavored malt beverages, and wines with more than 24 percent alcohol by volume.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** The overall tax rate on sales to consumers is 20.5 percent:

Tax	Sales to Consumer	RCW
Base Tax	15%	82.08.150(1)
Surtax, 14% of base tax	2.1%	82.08.150(4)
Additional	3.4%	82.08.150(6a)

The overall tax rate on sales to restaurant licensees is 13.7 percent:

Tax	Sales to Licensees	RCW
Base Tax	10%	82.08.150(2)
Surtax, 14% of base tax	1.4%	82.08.150(4)
Additional	2.3%	82.08.150(6b)

Retail sales tax does not apply to purchases of liquor by consumers. An establishment that sells any unopened spirits, strong beer, beer, and wine for consumption on the premises must obtain a restaurant license.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$156,304	5.2%	0.7%
2017	\$148,589	5.0%	0.8%
2016	\$141,573	6.7%	0.8%
2015	\$132,646	3.8%	0.8%
2014	\$127,826	1.0%	0.8%
2013	\$126,539	16.7%	0.8%
2012	\$108,465	6.2%	0.8%
2011	\$102,158	1.9%	0.7%
2010	\$100,301	3.8%	0.7%
2009	\$96,592	5.2%	0.6%

## Spirits Sales Tax

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<b>Distribution of Receipts</b>	<p>Receipts from the base tax are distributed as follows:</p> <ul style="list-style-type: none"><li>• 65% to the State General Fund</li><li>• 35% to the Liquor Excise Tax Fund, which is split 80%/20% between cities and counties respectively</li></ul> <p>All Receipts from the surtax and additional taxes are deposited into the State General Fund.</p>
<b>Levied by</b>	State
<b>Administration</b>	Department of Revenue.
<b>History</b>	<p>2011 Voters passed initiative 1183, which privatized all liquor sales. Before this initiative passed, the Liquor Control Board was the sole supplier of spirits in the state and sold spirits at a bottle price that included the spirits tax, which was then remitted to the Department of Revenue. The initiative made the Department of Revenue responsible for collecting the spirits sales tax.</p> <p>2009 Those additional taxes dedicated to health care in 1993 shifted to the State General Fund.</p> <p>2003 Strong beer (more than 8 percent alcohol by weight) shifted from liquor sales tax to the beer excise tax.</p> <p>1993 Additional tax rates phased-in for the health services account. The full phased-in amount of 3.4 percent for consumers and 2.3 percent for restaurants reached on July 1, 1997.</p> <p>1982 14 percent surtax added to the basic rate. The definition of strong beer increased from 4 percent to 8 percent alcohol by weight.</p> <p>1959 Rate increased to 15 percent for sales to consumers.</p> <p>1951 Liquor sales tax adopted at a rate of 10 percent and liquor exempted from the retail sales tax.</p> <p>1949 Liquor sales tax repealed.</p> <p>1943 Additional “war liquor tax” of 10 percent.</p>

## Spirits Sales Tax

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1939 Retail sales tax extended to sales by the Liquor Control Board.

1935 Liquor sales tax adopted.

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# Telephone Taxes

**RCW** 82.14B.030, 80.36.430, and 43.20A.725(5)

**Tax Base** Telephone access lines.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** Switched Access Lines & Voice over Internet Protocol (VoIP)

- State Enhanced 911 (E911) tax rate is a maximum of 25 cents per month per line.
- County E911 tax rate is a maximum of 70 cents per month per line.

Radio Access Lines (Wireless)

- State E911 tax rate is 25 cents per month per line, except for prepaid wireless which is subject to a rate of 25 cents per retail transaction.
- County E911 tax rate is a maximum of 70 cents per month per line, except for prepaid wireless which is subject to a maximum of 70 cents per retail transaction.

The State E911 Coordinator recommends the state tax rates for switched access and VoIP lines to the Utilities and Transportation Commission, and the Commission formally determines the rate for the following year.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$26,256	1.5%	0.1%
2017	\$25,860	2.4%	0.1%
2016	\$25,249	0.4%	0.1%
2015	\$25,158	-6.1%	0.1%
2014	\$26,774	-21.0%	0.2%
2013	\$33,906	6.4%	0.2%
2012	\$31,874	-0.3%	0.2%
2011	\$31,976	9.0%	0.2%
2010	\$29,326	1.2%	0.2%
2009	\$28,983	-2.5%	0.2%

## Telephone Taxes

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<b>Distribution of Receipts</b>	<p>Receipts from the State E911 tax are deposited into the State E911 account and are used to fund the State 911 program.</p> <p>Receipts from the County E911 tax are deposited into the County E911 account and are used to finance county emergency services communication systems.</p>
<b>Levied by</b>	State and counties.
<b>Administration</b>	<p>Department of Revenue.</p> <p>Telephone companies and retailers of prepaid wireless services collect and remit both the state and county taxes to the Department.</p>
<b>History</b>	<p>2014 Beginning January 1, 2014, collection of prepaid wireless E911 taxes was moved from individual telecommunication providers to the retailers that sell prepaid wireless services. Retailers of prepaid wireless services may charge an additional five cents per transaction as compensation for collecting the E911 taxes through June 30, 2018.</p> <p>2013 Telephone assistance tax (WTAP) and telephone relay service tax (TRS) were eliminated and replaced by biennial general fund appropriations.</p> <p>2011 Department of Revenue is responsible for administration of both state and county E911 excise taxes. VoIP lines were included in tax base for both state and county E911 excise taxes. The maximum state E911 excise tax rate increased to \$0.25 and the maximum county E911 excise tax rate increased to \$0.70.</p> <p>2004 Responsibility for collecting the TRS and WTAP taxes transferred to the Department of Revenue.</p> <p>2002 The state tax was extended to wireless telephones and the maximum rate of the county tax on wireless lines was increased to 50 cents. Responsibility for collecting the state E911 telephone tax transferred from the State Military Department to the Department of Revenue.</p> <p>1994 The county tax on wireless lines was authorized by the Legislature at a maximum rate of 25 cents per line.</p>

## Telephone Taxes

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- 1991 The state E911 excise tax was approved by the voters (Referendum 42) effective January 1, 1992, with a maximum state rate of 20 cents per switched line, to ensure funding for the implementation of an E911 telephone system on a statewide basis.
- 1987 The TRS tax which funds telephone services for persons with hearing difficulties was established at a maximum rate of 10 cents per switched line. The WTAP tax that funds telecommunication services for low-income households was also adopted in 1987 at a maximum rate of 16 cents per switched line. Both taxes administered by the Department of Social and Health Services. The county legislative authority was permitted to levy the county tax on behalf of an emergency service communication district which could serve an area less than countywide.
- 1981 The county tax on switched telephone lines was authorized; the tax had to be imposed on a countywide basis.
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# Timber Excise Tax

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**RCW** Chapter 84.33

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**Tax Base** The stumpage value of timber harvested for sale or commercial/industrial use. There are three methods of determining stumpage values for certain types of harvests:

**Small harvesters - persons who cut less than 2,000,000 board feet in a calendar year:**

- Tax is based on the actual amount paid for stumpage or the amount received from the sale of logs less the costs of harvesting and delivering to the buyer.
- Small harvesters have the option of using the Department of Revenue stumpage value tables.

**Public timber sales:**

- Tax is based on the contract purchase price for stumpage, including cash and other considerations (e.g., value of logging roads constructed).

**Standard harvesters:**

- Tax is based on the values of stumpage determined semi-annually by the Department.
- Values reflect various timber species and different timber marketing areas throughout the state.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** The total tax rate for timber harvested on both private and public lands is 5 percent:

- 4 percent for the county where the harvest occurred
- 1 percent for the state (harvesters subject to enhanced aquatic resources requirements are allowed a 0.8% credit against the state portion of the tax)

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## Timber Excise Tax

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### Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$1,610	-10%	0.01%
2017	\$1,786	-33%	0.01%
2016	\$2,669	23%	0.01%
2015	\$2,166	-21%	0.01%
2014	\$2,742	-3%	0.02%
2013	\$2,821	-19%	0.02%
2012	\$3,492	-13%	0.02%
2011	\$4,025	30%	0.03%
2010	\$3,102	-33%	0.02%
2009	\$4,630	-29%	0.03%

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### Distribution of Receipts

County taxes are distributed back to the county where the timber was harvested. State taxes are deposited in the State General Fund.

At the end of February, May, August, and November, the Department notifies the State Treasurer to distribute the tax receipts, less the Department's collection costs, to the counties and the state.

County receipts are further distributed to local taxing districts by the county treasurers by formula, which reflects the assessed value of forest land in the respective districts (RCW 84.33.081):

- Funds go first to districts that have approved special property tax levies for capital purposes.
  - Next, school districts receive funds in relation to their special levy rates.
  - The remainder is distributed to each taxing district generally in proportion to the timber assessed value of each district.
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### Levied by

State and counties.

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### Administration

Department of Revenue.

The tax is reported on a quarterly basis by timber harvesters using Forest Excise Tax returns which are due by the end of the month following the close of the quarter in which the timber was harvested.

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## Timber Excise Tax

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- History**
- 2017 The expiration date for the requirement to report private timber sales larger than 200,000 board feet is extended from July 1, 2018 to July 1, 2021. The Department is now required to estimate of the amount of public forest land that is available for timber harvesting by October 1<sup>st</sup> each year.
- 2014 Number of acres to define forest land decreased from 20 to 5 acres or more. The same change was made for multiple parcels of land that are contiguous and total 5 or more acres. The parcels must be devoted primarily to growing and harvesting timber and does not include a residential home. Expiration for RCW 84.33.088 (reporting requirements for timber purchase) was extended to July 1, 2018.
- 2010 Timber harvest tax credit for Enhanced Aquatic Resource Requirements application is submitted to Pollution Control Hearing Board instead of Forest Practices Appeals Board. Additional details are required on the on timber purchases. Privately purchased timber reports are confidential. Expiration for RCW 84.33.088 (reporting requirements for timber purchase) extended to July 1, 2014.
- 2008 Special valuation of timber impacted by the December 2007 floods in Presidential Declared Disaster Area Counties was authorized by the Legislature in 2008. Small harvesters who cut less than 5 million board feet of timber annually from the federally designated impact counties during 2008 or 2009 were able to base their excise tax on actual receipts from the sale, less their expenses, rather than by using the Department's stumpage value tables.
- 2007 Legislation authorized the Governor to enter into an agreement with the Quinault Indian Nation relating to imposition of a tribal timber excise tax. Under the authority provided by RCW 43.06.480, a tribal timber harvest excise tax must be equivalent to the state timber tax rate.
- 2004 Legislature instituted a ten-year phase-down of the state tax on timber harvested on public lands and a commensurate transfer of this tax to counties. The change does not impact the amount of tax that is paid by harvesters but will make the state and county tax rates identical for all harvests by the year 2014. This same legislation also exempts all standing timber from property tax.
- 1999 Legislature established a new program to protect salmon habitat. It includes a credit against the timber excise tax for harvesters who are

## Timber Excise Tax

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impacted by enhanced aquatic resource requirements known as the EARR credit, as determined by the Department of Natural Resources.

- 1984 A phase-down of the 6.5 percent yield tax was adopted. Starting with harvests during Fiscal Year 1986 through 1988, the rate was phased down to the current 5 percent level. In addition, a new county timber tax of 4 percent was established for harvests on private lands. This legislation also incorporated lands under the 1931 Reforestation Act. The 12.5 percent yield tax rate for such lands was phased into the 5 percent tax over a ten-year period starting with harvests during the last half of calendar year 1984.
- 1982 The excise tax was extended to timber harvested on state and federally owned lands with receipts from public lands going to the State General Fund and receipts from private lands going to local governments.
- 1981 Forest land values were established directly by statute, with the Department being required to adjust them annually, based on the change in harvest value over the prior five years.
- 1971 The forest tax was enacted. Three-year phase-out of property taxes upon timber growing on privately owned lands and a concurrent phase-in of a yield tax based upon the harvest value. The eventual rate of 6.5 percent was fully effective in 1975. The value of bare forest lands, parcels of at least 20 acres, continued to be subject to property taxes.
- 1931 The Reforestation Act was enacted, which provided an alternative to property taxation for lands that had been harvested or were otherwise producing less than their potential. The land was subject to annual property tax based on assessed values of \$1 per acre for western Washington lands and 50 cents per acre for the eastern part of the state. The timber was subject to a yield tax of 12.5 percent upon harvest.
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# Tobacco Products

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RCW Chapter 82.26

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- Tax Base** Tobacco products subject to the tax are:
- cigars,
  - pipe tobacco,
  - chewing tobacco, and
  - all other forms of tobacco except for cigarettes.

The tax is imposed at the time a distributor:

- imports taxable products,
- manufactures such products within the state,
- distributes the products to a retailer, or
- first handles such products in Washington.

The tax applies only to the first such taxable activity that occurs within the state.

Retail sales and business and occupation taxes apply to the total retail price, which includes the tobacco products tax.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** Tax rates depend on the type of product. The rates are:

Tobacco Product	Tax Rate
Moist snuff in packages of 1.2 ounces or less	The greater of \$2.526 per package, or 83.5% of the tax on a pack of 20 cigarettes
Moist snuff in packages larger than 1.2 ounces	The same tax per ounce as for packages of 1.2 ounces or less
Little cigars; similar to cigarettes, but generally a little larger; defined by their cellulose acetate integrated filters	Must be the same rate as the cigarette tax, currently \$3.025 per pack of 20 cigarettes
Other cigars	95% of taxable value not to exceed 65 cents per cigar
All other tobacco products	95% of taxable value

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# Tobacco Products

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$57,110	8.9%	0.3%
2017	\$52,437	1.5%	0.3%
2016	\$51,641	11.0%	0.3%
2015	\$46,517	0.1%	0.3%
2014	\$46,469	7.2%	0.3%
2013	\$43,337	-6.9%	0.3%
2012	\$46,569	0.4%	0.3%
2011	\$46,392	39.0%	0.3%
2010	\$33,372	10.2%	0.2%
2009	\$30,278	-449.3%	0.2%

**Distribution of Receipts**

All receipts from this tax are deposited into the State General Fund.

**Levied by**

State

**Administration**

Department of Revenue is responsible for enforcement.

The tax is reported on the Combined Excise Tax Return by wholesalers or distributors of tobacco products.

**History**

- 2010 The tax rate increased from 75 percent of taxable value to the range of rates in the above schedule.
- 2009 All tax receipts were restored to the State General Fund ending 27 years of diversions to other accounts.
- 2005 The tax rate was reduced to 75 percent of a redefined taxable value and regulatory changes were made to reduce tax evasion.
- 2002 Initiative 733 passed in November 2001. Effective January 1, 2002, the tobacco products tax rate increased from 74.9 percent of wholesale value to 129.42 percent. The additional revenues were dedicated to health services.

## Tobacco Products

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- 1993 An additional 10 percent tax was added for healthcare.
  - 1986 An additional 16.75 percent tax for water quality was added.
  - 1982 Surtaxes of 4 percent added in May and 3 percent added in August.
  - 1971 Tax rate increased to 45 percent.
  - 1965 Tax rate increased to 30 percent.
  - 1959 Tax established with a rate of 25 percent of wholesale value with all receipts directed to the State General Fund.
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# Unemployment Compensation Tax

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**RCW** Chapters 50.04, 50.12, 50.24, 50.29, 50.44, and 50.50

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**Tax Base** Wages paid by employers.

A maximum amount of wages paid to any individual is subject to the tax. The maximum is based on \$10,000 for calendar year 1985, increased by 15 percent each year (RCW 50.24.010). The calculated maximum annual wage subject to tax may not exceed 80 percent of the average annual wages paid, calculated pursuant to RCW 50.04.355. For 2018, employers pay taxes on the first \$47,300 of each employee's wages.

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**Tax Rate** The basic unemployment compensation tax rate has two components:

#### Experience-rated tax

- Based on an average of an employer's claim history over the past four fiscal years.
- There are 40 experience-rate classes. Those with the fewest claims, or most favorable experience, are assigned to the lower classes, with rate class one employers paying no experience-rate tax.

#### Social-cost tax

- Paid by nearly all employers to cover the shared costs of the insurance system. These rates increase when benefit payouts increase.

Additional surcharges and fees include:

#### Solvency Surcharge

- The rate cannot exceed 0.2 percent and all classes pay the same rate.
- This surcharge was introduced in 2005, but the conditions for implementation have not occurred to date. This surcharge applies only when the amount in the Unemployment Trust Fund falls below the amount needed to pay benefits for a certain period of time.

#### Employment Administration Fund

- A fee assigned at either 0.02 percent or 0.03 percent.

#### 2018 rates

- Employers in the lowest rate class pay 0.13 percent.
  - Employers in the highest rate class pay 5.72 percent.
  - The estimated average rate is 1.10 percent.
-

# Unemployment Compensation Tax

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$1,105,718	-3.2%	5.2%
2017	\$1,142,333	-11.3%	5.9%
2016	\$1,288,107	-3.5%	7.1%
2015	\$1,335,081	-13.4%	7.9%
2014	\$1,542,109	18.2%	9.6%
2013	\$1,304,462	-10.0%	8.5%
2012	\$1,448,731	-3.5%	10.0%
2011	\$1,500,534	31.1%	10.5%
2010	\$1,144,508	11.7%	8.5%
2009	\$1,024,299	-11.4%	6.7%

Source: Washington State Employment Security Department

**Distribution of Receipts**

Receipts from this tax are deposited into the Unemployment Compensation Fund and the Administrative Contingency Fund. Only funds from the Employment Administrative Fund tax go into the Administrative Contingency Fund. All other taxes are used to fund the Unemployment Compensation Fund.

Funds from the Unemployment Compensation Fund are used to pay benefits to eligible unemployed individuals, calculated as described in RCW 50.20.120. Fund from the Administrative Contingency Fund are used to pay for the Employment Security Department's administrative costs as described in RCW 50.24.014.

**Levied by**

State

**Administration**

Employment Security Department.

Each employer is notified by the Department of the assigned contribution rate to be paid for each year, as well as the amount of benefits paid to previous employees of the firm or its predecessor. All employers report on a quarterly basis.

**History**

- 2011 Tax rate lowered for most employers.
- 2010 Reduced the higher tax rate assessed on employers who are delinquent in paying their taxes. Established a civil penalty for employers who knowingly fail to register for unemployment

## Unemployment Compensation Tax

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insurance. The maximum rate is 6 percent for qualified employers and 6.5 percent for delinquent employers.

- 2005 Major revisions to the tax structure took effect. Forty classes created, replacing the 20 previous classes. Calculation of rates changed to include a social-cost factor and an experience-rated factor.
- 1993 A seventh rate schedule added.
- 1984 A rate system with six schedules and 20 classifications adopted.
- 1942 A benefit experience factor included, maximum rate became 2.7 percent.
- 1937 Tax established as part of the Social Security Act.
-

# Use Tax

**RCW** Chapter 82.12

**Tax Base** Items that are used in the state, for which retail sales tax has not already been collected. Use tax is applied to the value of the item at the time of its first use, excluding delivery charges. Use tax also applies to tangible and digital property where retail sales tax was not charged at the time of purchase.

Examples include:

- Purchases by private individuals from out-of-state sellers or other sellers not required to collect Washington sales tax
- Manufacturers who use the products they produce
- Gifts and prizes won

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** 6.5 percent.

An additional 0.3 percent state tax applies to sales of new or used motor vehicles.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$702,756	2.9%	3.3%
2017	\$682,737	6.0%	3.5%
2016	\$643,880	8.6%	3.6%
2015	\$592,857	4.9%	3.5%
2014	\$564,996	7.8%	3.5%
2013	\$524,101	7.8%	3.4%
2012	\$486,305	-9.9%	3.4%
2011	\$539,911	26.0%	3.8%
2010	\$428,576	-7.9%	3.2%
2009	\$465,418	-10.1%	3.0%

**Distribution of Receipts** The majority of receipts from the state use tax are deposited into the State General Fund, with a few exceptions which are described in the [Retail Sales Tax](#) chapter.

## Use Tax

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**Levied by** State

For information about local use taxes refer to the [Local Tax Reference Guide](#) or the [Association of Washington Cities \(AWC\)](#).

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**Administration** Department of Revenue.

Use tax is generally reported on the Combined Excise Tax Return.

Exceptions:

- County auditors and registered agents collect the use tax on private sales of registered vehicles when the title transfers between private individuals.
  - Individuals who acquire items where sales tax was not collected report the tax on the Consumer Use Tax Return.
  - Purchasers who purchase goods of at least \$10 million annually may report the tax directly by obtaining a direct pay permit from the Department.
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**History**

The use tax was established as a "compensating" tax, which coincides with the retail sales tax adopted in 1935. All of the subsequent rate changes and most of the tax base revisions have applied to both the retail sales and use taxes.

See the history section in the [Retail Sales Tax](#) chapter for more information.

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## Watercraft Excise Tax

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**RCW** Chapter 82.49

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**Tax Base** Fair market value of noncommercial boats used on Washington waters.

The Department of Revenue prepares a depreciation schedule to be used in the determination of fair market value, RCW 82.49.040. Boats which were not purchased, or whose purchase price does not represent fair market value, may be appraised by the Department of Revenue.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** 0.5 percent, with a minimum of \$5.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	N/A	N/A	N/A
2017	\$14,559	5.4%	0.1%
2016	\$13,809	1.2%	0.1%
2015	\$13,649	4.7%	0.1%
2014	\$13,039	4.6%	0.1%
2013	\$12,463	0.4%	0.1%
2012	\$12,418	-8.7%	0.1%
2011	\$13,598	8.4%	0.1%
2010	\$12,547	-27.0%	0.1%
2009	\$17,192	-2.6%	0.1%

Source: Washington State Department of Licensing

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**Distribution of Receipts** Receipts are distributed to the State General Fund.

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**Levied by** State

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**Administration** Department of Licensing.

The tax is paid annually by owners when registering the vessel. It is collected by the Department of Licensing and its agents, including county auditors and authorized private firms.

## Watercraft Excise Tax

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The tax is due June 30 each year for the upcoming 12-month period; the tax for newly registered boats is prorated to the following June 30. The Department of Revenue is authorized to collect any unpaid excise tax, including any penalties and interest.

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### History

2014 New penalties for unregistered vessels instituted.

1983 The watercraft excise tax was adopted, effective July 1. Prior to this, boats were subject to assessment as personal property.

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# Wine Tax

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RCW 66.24.210

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**Tax Base** Wine sold to distributors, directly to consumers on the winery premises, and direct shipments to consumers and retailers. Wine is also subject to retail sales tax when purchased in the original container and when consumed on the premises of the seller.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** For table wines the total wine tax rate per liter is \$0.2292:

Tax	Rate per liter	RCW
Base tax	\$0.2025	66.24.210(1)
Additional tax, 7% of base rate	\$0.0142	66.24.210(2)
Additional tax	\$0.0025	66.24.210(3)
Additional tax	\$0.01	66.24.210(4)

For fortified wines the total wine tax rate per liter is \$0.4536:

Tax	Rate per liter	RCW
Base tax	\$0.2025	66.24.210(1)
Additional tax, 7% of base rate	\$0.0142	66.24.210(2)
Additional tax	\$0.0025	66.24.210(3)
Additional tax	\$0.2344	66.24.210(4)

For cider the total wine tax rate per liter is \$0.0814:

Tax	Rate per liter	RCW
Base tax	\$0.0359	66.24.210(1)
Additional tax, 7% of base rate	\$0.0025	66.24.210(2)
Additional tax	\$0.0005	66.24.210(3)
Additional tax	\$0.0018	66.24.210(4)
Additional tax	\$0.0407	66.24.210(5)

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## Wine Tax

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### Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$25,244	-1.0%	0.1%
2017	\$25,487	1.9%	0.1%
2016	\$25,012	4.2%	0.1%
2015	\$24,000	-0.3%	0.1%
2014	\$24,071	0.6%	0.2%
2013	\$23,925	2.0%	0.2%
2012	\$23,450	3.2%	0.2%
2011	\$22,733	1.9%	0.2%
2010	\$22,299	3.6%	0.2%
2009	\$21,531	1.7%	0.1%

Source: Washington State Liquor & Cannabis Board

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### Distribution of Receipts

Receipts from the base rates for wine (\$0.2025) and cider (\$0.0359) are distributed to the Liquor Revolving Fund. Board expenses are funded first, followed by:

- 99.7 percent as follows:
  - 50 percent to the State General Fund
  - 10 percent to all counties on the basis of unincorporated population
  - 40 percent to all cities on the basis of population
- 0.3 percent to certain border cities and counties for law enforcement costs

RCW 66.08.180 authorizes the Board to distribute \$0.25 cents per liter of the tax under RCW 66.24.210 to Washington State University solely for wine and wine grape research.

Receipts from the additional taxes on wine and cider under RCW 66.24.210 are deposited in the State General Fund, except for the additional per liter wine tax of \$0.25 cents and \$0.05 cents for cider which are distributed to the Washington Wine Commission to finance their activities.

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### Levied by

State

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## Wine Tax

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**Administration** Liquor and Cannabis Board.

Wholesale purchasers of wine report the tax on a monthly basis, with payment due by the 20th day of the following month.

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**History**

- 2016 The definition of cider changed to table wine that contains not less than 0.5 percent and not more than 8.5 percent alcohol by volume.
- 2009 A portion of wine tax receipts earmarked for the violence reduction/drug enforcement account and the health services account was discontinued.
- 2006 Shipments of wine from wineries directly to retailers or consumers allowed.
- 1996 Separate tax rates for cider wine established.
- 1994 Additional rates created in 1989 made permanent
- 1993 Additional 0.25 cent liter tax extended until 2001 and then made permanent.
- 1989 Additional liter taxes of 1 cent for wine and 23.44 cents for fortified wine adopted and scheduled to expire in 1995.
- 1987 Additional liter tax of 0.25 cents adopted.
- 1982 Additional tax for the general fund added.
- 1981 Tax converted to the metric basis and basic rate of 20.25 cents per liter established.
- 1973 26 percent excise tax repealed and gallon tax increased to 75 cents.
- 1969 Direct import of wine from other states allowed. Wine removed from the 10 and 15 percent liquor sales taxes but subject to a special 26 percent excise tax.
- 1935 Wine tax established at initial rate of 10 cents per gallon. Wine was also subject to the 10 percent liquor sales tax.
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## Wood Stove Fee

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**RCW** 70.94.483

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**Tax Base** Retail sales of solid fuel burning devices.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to the [Tax Exemption Study](#).

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**Tax Rate** \$30 per stove.

The statute allows the Department of Ecology to adjust the rate above \$30 based on changes in the consumer price index.

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**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$201	-8.6%	0.001%
2017	\$220	0.5%	0.001%
2016	\$219	6.7%	0.001%
2015	\$205	-6.7%	0.001%
2014	\$220	5.7%	0.001%
2013	\$208	-6.3%	0.001%
2012	\$222	-13.9%	0.002%
2011	\$258	-20.4%	0.002%
2010	\$324	1.3%	0.002%
2009	\$320	7.0%	0.002%

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**Distribution of Receipts**

Receipts are deposited into the Wood Stove Education and Enforcement account.

The funds are used by the Department of Ecology to educate consumers about the effects of wood stove smoke upon air pollution and to enforce burning restrictions during periods of impaired air quality.

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**Levied by** State

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**Administration** Department of Revenue.

Vendors of wood stoves report the tax on the Combined Excise Tax Return.

## Wood Stove Fee

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### History

1991 Fee increased to \$30 and the exemption for masonry fireplaces repealed.

1990 Fee increased to \$15.

1988 The initial wood stove fee was established at \$5 per stove.

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