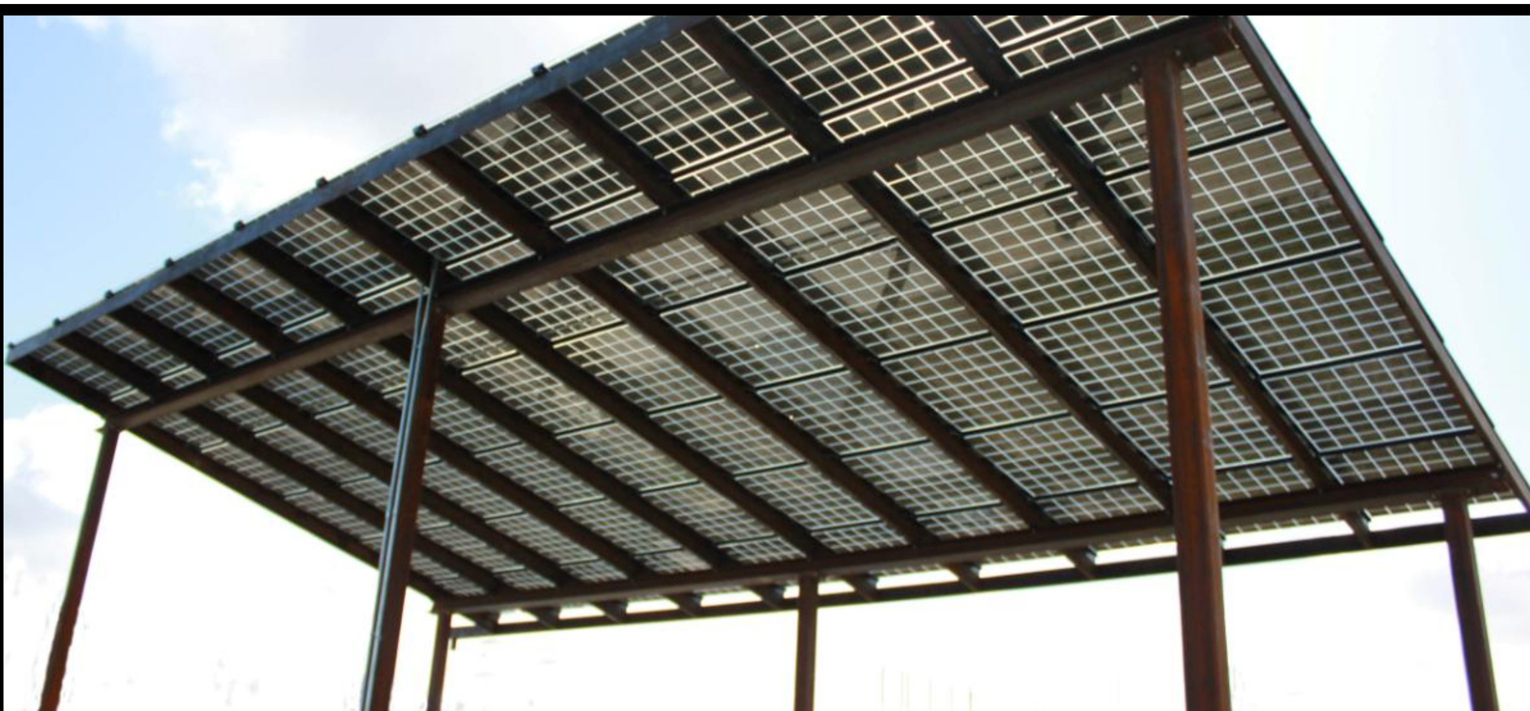


Business & Occupation Tax

48.32.130 - Insurance guarantee association

Description

The Washington Insurance Guarantee Association (Association) is exempt from all fees and taxes levied by the state or its political subdivisions, except taxes levied on real or personal property. The estimates shown in this section reflect the exemption from state B&O tax for income derived by the Association.

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.036	$0.036	$0.036	$0.036
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.036	$0.036	$0.036
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The Association revenue will be at least $2.4 million a year.

Data Sources

- Office of the Insurance Commissioner
- Joint Legislative Audit and Review Committee

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	The Association and insurance policy holders
Taxpayer Count:	1,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04 – Environmental handling charges

Description

Environmental handling charges are exempt from B&O tax. RCW 70.275.020 defines environmental handling charges as the charge applied to each mercury-containing light sold at retail in or into the State of Washington.

Purpose

Recognizes the environmental handling charge is not income to the business.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.008	$0.009	$0.009	$0.009
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.009	$0.009	$0.009
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This legislation only applies to the environmental handling charge for mercury lights and not the product sales price.
- Assessment fee of $0.25 per mercury light.

Data Sources

Washington Department of Ecology, Washington State Mercury-Containing Lights, page 8.

Additional Information

Additional Information	
Category:	B&O Tax
Year Enacted:	2015
Primary Beneficiaries:	Persons selling mercury-containing light bulbs
Taxpayer Count:	2,200
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2025

82.04 - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O tax or PUT for the purchase of an alternative fuel commercial vehicle. The credit is calculated according to the gross vehicle weight rating of the vehicle and the incremental cost of the vehicle purchased above the purchase price of a comparable conventionally fueled vehicle. The credit is limited to the lesser of the incremental cost amount or a maximum credit amount per vehicle purchased, and is subject to a maximum annual credit amount per vehicle class. The credit provided is not available for the lease of a vehicle.

A credit is also allowed for the lesser of 50 percent of the incremental cost amount of converting a commercial vehicle to be principally powered by a clean alternative fuel with a United States EPA certified conversion, subject to the maximum annual credits per vehicle weight class.

The combined total B&O tax and PUT credits may not exceed the lesser of $250,000 or 25 vehicles per person per calendar year. Total statewide credits under this program may not exceed $6 million during any calendar year.

Purpose

Alternative fuel commercial vehicles cost more than comparable conventional fuel vehicles. The credit provides businesses an incentive to purchase alternative fuel commercial vehicles or convert conventional fuel vehicles to be powered by cleaner alternative fuel which is in line with the state's climate and environmental goals.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Credits may be taken against the B&O tax or PUT.
- Credits are taken as an offset against PUT, not B&O tax since most businesses that can utilize the credit report the majority of income under PUT.
- See the exemption for alternative fuel commercial vehicle tax credit, RCW 82.16 for impact.

Continued

82.04 - Alternative fuel commercial vehicle tax credit

Data Sources

Department of Licensing data warehouse database

Additional Information

Additional Information	
Category:	Business and Occupation Tax
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing commercial alternative fuel vehicles or converting used commercial vehicles to be principally powered by clean alternative fuel
Taxpayer Count:	700
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2020

82.04 - Marijuana grown or marijuana products manufactured by a cooperative

Description

Beginning on July 1, 2016, up to four qualifying patients may form a cooperative to grow marijuana and manufacture marijuana products for the participating patients' consumption. The state business and occupation tax does not apply to a cooperative's activities with respect to growing marijuana, or manufacturing marijuana concentrates, useable marijuana, or marijuana-infused products.

Purpose

The Legislature did not provide a tax preference performance statement for this exemption. Presumably, the purpose of the exemption is to eliminate the potential adverse business and occupation tax consequences of forming a cooperative to supply medical marijuana to the cooperative's members

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Unknown	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Since there is no way to determine the future numbers and activities of cooperatives this estimate is indeterminate.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Nonprofit, other organizations
Year Enacted:	2015
Primary Beneficiaries:	Cooperative medical marijuana growers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2026

82.04 - Businesses that hire veterans

Description

This preference provides employers a Business and Occupation (B&O) tax credit for hiring unemployed veterans. The credit is available under the Public Utility Tax (PUT) also. However, no business may claim a credit against taxes due under both B&O and PUT taxes for the same employee.

The credit equals 20 percent of wages and benefits paid up to a maximum of $1,500 for each qualified employee hired on or after October 1, 2016. No credit may be claimed until a qualified employee has been employed for at least two consecutive full calendar quarters.

The total statewide credit cap is $500,000 per fiscal year.

Purpose

To encourage businesses to hire unemployed veterans.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.450	$0.450	$0.450
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.450	$0.450	$0.450
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Up to 1,900 veterans could be impacted by this preference.
- Cost components of an employee: 70 percent wages and 30 percent benefits.
- Wages and benefits of veterans employed in the civilian labor market are comparable to those of the general workforce.
- Businesses employing these veterans have sufficient B&O tax (or PUT) liability to take advantage of all the credits earned.
- Of total credits that will be taken, 90 percent will be under B&O tax and 10 percent under PUT tax.

Data Sources

- Washington Employment Security Department
- United States Census
- United States Bureau of Labor Statistics
- United States Department of Defense
- Various military data sources

Continued

82.04 - Businesses that hire veterans

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses and veterans
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2021

82.04.062 - Precious metals and bullion

Description

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

Note: The sales tax portion of the exemption is discussed under the sales tax portion of this report.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.675	$0.712	$0.747	$0.779
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.652	$0.747	$0.779
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.062 - Precious metals and bullion

Assumptions

- The tax base that serves as the foundation of this estimate is based on retail sales deductions reported on the excise tax return for the sales of precious metals and bullion.
- All taxpayers using this exemption are properly reporting the retail sales deduction on their excise tax returns and not just excluding from gross income.
- Growth rates used in this estimate are the same as for all retail sales. The price of precious metals is extremely volatile and no source reliably predicts the price six years into the future.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council, February 2015 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchases of precious metals and bullion
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.110(2b) - Aluminum master alloys

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	None
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.120(2a) - Hay cubing

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.546	$0.546	$0.546	$0.546
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.501	$0.546	$0.546
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Due to fluctuations in historical data, a zero percent growth rate is used.
- Eleven months of collections in Fiscal Year 2017 due to a July 1, 2017 effective date.

Data Sources

- Department of Revenue excise tax data
- Industry sources

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1997
Primary Beneficiaries:	Hay cubers that
Taxpayer Count:	15
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2015

82.04.120(2a) - Seed conditioning

Description

"To manufacture" excludes seed conditioning for B&O tax purposes.

In addition, wholesale sales to farmers of seed conditioned for use in planting, or conditioning seed owned by others for their planting is exempt from the wholesale B&O tax per RCW 82.04.331. See separate estimate.

Purpose

Encourages seed conditioning businesses to relocate in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.973	$2.076	$2.182	$2.295
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.903	$2.182	$2.295
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayer will manufacture the seeds in Washington before selling it as a wholesale product.
- Manufacturing of seeds means seeds that used for planting.
- Ninety-five percent of conditioned seeds are from in-state sellers.
- Five percent growth rate reflects the growth of seeds used for planting.

Data Sources

- Washington State Department of Agriculture
- United States Department of Agriculture
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Seed conditioners who manufacture seeds for planting
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2015

82.04.120(2b) - Seafood processing

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenues would be realized because these processors would still be exempt from B&O tax under RCW 82.04.4269.
- The impact for this exemption is included in the estimate for seafood products manufacturing, RCW 82.04.4269.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Seafood Processors
Taxpayer Count:	0
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2011

82.04.120(2d) - Packing agricultural products

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

Department of Revenue data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1999
Primary Beneficiaries:	Agricultural industry
Taxpayer Count:	Unknown
Program Inconsistency:	No
JLARC Review:	Not on JLARC review schedule

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

Description

Manufacturing B&O tax applies to the production of computer software when the producer transfers the software by means of tangible storage media, but not to software transferred electronically, or to digital goods. These electronically delivered goods are instead subject to B&O tax as retailing, or wholesaling, depending upon the nature of the transaction.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The assumed effective date is July 1, 2016.

Data Sources

Department of Revenue Interpretations and Technical Advice Division

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	Software, 2003; digital goods, 2009
Primary Beneficiaries:	Sellers of electronically delivered goods and software
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not on JLARC review schedule

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

Description

Businesses manufacturing semiconductor materials are subject to B&O tax at a rate of 0.275 percent, instead of the general manufacturing rate of 0.484 percent. The lower tax rate is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion dollars. The lower rate expires 12 years after the effective date.

This tax incentive does not have an effective date because the required investment has not occurred.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

Information is from Department of Revenue data sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None, the contingency criterion has not been met
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.2403 - Fish cleaning

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.019	$0.019	$0.019	$0.019
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.018	$0.019	$0.019
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assume 1/2 of freshwater fish commercially harvested are cleaned while the other half are processed.
- No growth due to volatility of fish harvests from year to year.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- http://www.st.nmfs.noaa.gov/commercial-fisheries/index
- Washington Ag Statistic stats for trout farming

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	A small number of firms that harvest fresh fish
Taxpayer Count:	Unknown
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2013

82.04.2404 - Semiconductor materials manufacturing - preferential rate

Description

Businesses manufacturing or processing for hire semiconductor materials receive a preferential B&O tax rate of 0.275 percent. All other manufacturers pay tax at a rate of 0.484 percent. The reduced rate was contingent upon industry investment in new buildings and equipment of at least $350 million dollars, which occurred on December 1, 2006. The preferential rate expires December 1, 2018.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This data is confidential because there are fewer than three taxpayers reporting this exemption.
- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- Currently expires December 1, 2018, with six months of taxpayer savings in Fiscal Year 2019.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Busineses that manufacture or process for hire semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.250(3) - Certified aircraft repair firms

Description

Until July 1, 2040, qualified aircraft repair facilities certified by the Federal Aviation Administration as a “FAR part 145” repair facility receive a reduced B&O tax rate of 0.2904 on retail sales and repairs made to airplanes exempt from tax under RCW 82.08.0261, 82.08.0262, or 82.08.0263.

Businesses reporting under this tax rate must file a complete annual report with the Department of Revenue. If there were no special rate, these businesses would be subject to the 0.471 retailing of interstate transportation equipment rate.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.546	$0.571	$0.597	$0.624
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.523	$0.597	$0.624
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

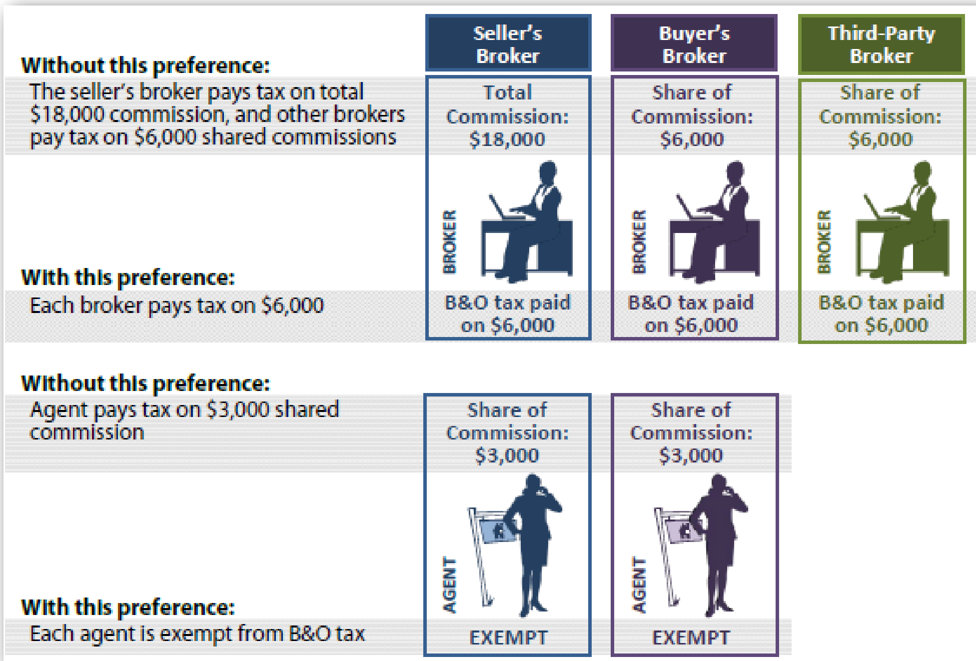
Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Far Part 145 Repair Stations
Taxpayer Count:	34
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.255 - Shared real estate commissions

Description Real estate brokerage offices pay tax only on their share of commissions when two or more brokerage offices participate in a transaction, even if one firm is located out of state. Individual associate brokers and salespersons are not subject to B&O tax where the brokerage office pays tax on the gross commission.

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

Real Estate Sales Involve Multiple Transactions



Source: JLARC analysis of tax law.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$33.690	$34.660	$35.650	$36.670
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$31.772	$35.650	$36.670
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.255 - Shared real estate commissions

Assumptions

- Not all real estate transactions are brokered.
  - In 2010, *For Sale by Owner* transactions accounted for 9 percent of home sales.
  - Other types of sales are not always brokered either - like family sales.
- This estimate assumes 84 percent of sales are brokered by two or more real estate agents or brokers.
- Average growth rate in real estate excise tax (REET) collections is calculated using a 15 year average and equals 2.9 percent annually. Fifteen years of data was used in an effort to balance out the pre-recession real estate bubble and the limited real estate activity post-recession.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Department of Revenue REET collection data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Real estate brokers and agents
Taxpayer Count:	2,500
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.260(11) - Commercial airplane manufacturing

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$120.724	$126.329	$132.081	$137.999
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$115.802	$132.081	$137.999
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Commercial airplane manufacturing companies
Taxpayer Count:	348
Program Inconsistency:	Nove evident
JLARC Review:	JLARC completed a full review in 2014

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

Description

Persons extracting or manufacturing timber and selling timber and wood products at wholesale receive a preferential B&O tax rate of 0.2904 percent (.3424 after including .052 surcharge to finance riparian habitat). Previously these activities were subject to a B&O tax rate of 0.484 percent. This preferential tax rate expires July 1, 2024.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$19.884	$20.808	$21.755	$22.730
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$19.074	$21.755	$22.730
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Timber Industry
Taxpayer Count:	1,117
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.260(13) - Canned salmon services

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Firms that provide services for Salmon canners
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2017

82.04.260(14) - Printing and publishing newspapers

Description

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

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

Without this exemption the B&O tax rates would be:

- 0.484 percent for print advertising revenues,
- 1.5 percent for digital advertising revenues,
- 0.484 percent for print subscription revenues, and
- 0.471 percent for digital subscription revenues.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.105	$1.105	$1.105	$1.105
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.013	$1.105	$1.105
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Newspaper income taxed under preferential rate during Fiscal Year 2014 equals $511.4 million.
- There is no growth in revenues.
  - 8.15 percent of revenues are from online digital advertising.
  - 56.59 percent of revenues are from print advertising.
  - 5.29 percent of revenues are from digital only subscriptions.
  - 29.97 percent of revenues are from print or print/digital bundled subscriptions.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

82.04.260(14) - Printing and publishing newspapers

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	The Newspaper Industry
Taxpayer Count:	120
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2019

82.04.260(1a) - Flour and oil manufacturing

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.071	$0.074	$0.077	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.068	$0.077	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1949
Primary Beneficiaries:	Flour & oil manufacturers
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.260(1b) - Seafood products manufacturing

Description

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

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

The general tax rate for manufacturing is 0.484 percent.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.890	$1.978	$2.068	$2.161
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.813	$2.068	$2.161
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue Tax Incentive Public Disclosure Annual Survey Reports
- Economic & Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2012
Primary Beneficiaries:	Seafood manufacturers
Taxpayer Count:	43
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2010

82.04.260(1c) - Dairy products manufacturing

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.688	$3.840	$3.997	$4.161
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$3.520	$3.997	$4.161
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is the compound annual rate of the Tax Incentive Public Disclosure Reports for dairy product wholesalers and manufacturers from 2009 - 2013.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue Tax Incentive Public Disclosure Annual Survey Reports
- Economic & Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Dairy manufacturers & wholesalers
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.04.260(1d) - Fruit and vegetable manufacturing

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$12.330	$12.694	$13.068	$13.454
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$11.636	$13.068	$13.454
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate is the compound annual rate of the Tax Incentive Public Disclosure Reports for fruit and vegetables processors from 2009 - 2013.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue Tax Incentive Public Disclosure Annual Survey Reports
- Economic & Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Processors of fruits and vegetables
Taxpayer Count:	185
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.04.260(1f) - Wood biomass fuel manufacturing

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three businesses are currently benefiting from this lower B&O tax rate; therefore, the revenue impact is confidential.

Data Sources

- Department of Revenue excise tax data
- Biomass Magazine: http://biomassmagazine.com/plants/listplants/biomass/US/page:1/sort:capacity/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Wood biomass maufacturers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2013

82.04.260(2) - Dried pea processors

Description

Businesses that split or process dried peas receive a preferential B&O tax rate of 0.138 percent. The general tax rate for manufacturing is 0.484 percent.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.004	$0.004	$0.004	$0.004
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.004	$0.004	$0.004
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Dried Pea Processors
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.260(3) - Nonprofit research and development

Description

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

Purpose

Support the advancement of nonprofit research and development activities

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are fewer than three businesses currently benefiting from this lower B&O tax rate; therefore the revenue impact is confidential.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1965
Primary Beneficiaries:	Non profit corporation & associations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.260(4) - Meat processors

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$22.639	$23.690	$24.769	$25.879
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$21.716	$24.769	$25.879
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Meat processors
Taxpayer Count:	321
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.260(5) - Travel agents and tour operators

Description

Travel agents and tour operators receive a preferential B&O tax rate of 0.275 on income received, rather than the 1.5 percent tax rate for services.

Purpose

Achieves simplicity by taxing travel agents and tour operators in the same manner.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$5.836	$6.107	$6.385	$6.671
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$5.598	$6.385	$6.671
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Travel Agents and Tour Operators
Taxpayer Count:	517
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(6) - International charter and freight brokers

Description

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

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$6.230	$6.567	$6.897	$7.237
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$6.020	$6.897	$7.237
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	International Charter and Freight Brokers
Taxpayer Count:	211
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.260(7) - Stevedoring

Description

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

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$8.424	$8.879	$9.326	$9.785
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$8.139	$9.326	$9.785
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

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

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

Description

Insurance producers, title insurance agents, and surplus line brokers receive a preferential B&O tax rate of 0.484 percent on income received, rather than the 1.5 percent tax rate for services.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$24.321	$25.636	$26.925	$28.251
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$23.500	$26.925	$28.251
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Insurance producers, title insurance agents, and surplus line brokers
Taxpayer Count:	4,900
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.263 - Radioactive waste cleanup

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$27.800	$27.800	$27.800	$27.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$25.500	$27.800	$27.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Without this preference, the activity would be taxed at 1.5 percent.
- Average of $2.7 billion in taxable income annually.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Radioactive waste cleanup businesses
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2019

82.04.272 - Prescription drug resellers

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$17.524	$18.337	$19.172	$20.031
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$16.809	$19.172	$20.031
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate will mirror the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Prescription Drug Resellers
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.280 - Rental of real estate

Description

In 1935 RCW 82.04.390 included the prohibition against taxing income from the rental of real estate. In 1959 RCW 82.04.280 was amended to subject the rental of real estate to B&O tax at a rate of 0.25 percent. The following year the State Supreme Court ruled the tax to be unconstitutional in Apartment Operators Association of Seattle v. Schumacher, 56 Wn. 2d 46 (1960). The Washington Supreme Court later questioned the validity of Schumacher, but never specifically overturned the holding. RCW 82.04.280 does not explicitly provide an exemption, but it does not include the activity in the list of those subject to tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$61.631	$64.644	$67.287	$69.769
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Continued

82.04.280 - Rental of real estate

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$7.704	$17.495	$36.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Residential real estate includes non-apartment dwellings and manufactured/mobile homes. It is assumed that the small business credit available for service activities will be greater than or equal to the tax due for the residential rental income for these taxpayers. Therefore no revenue will be gained by repealing the exemption on residential real estate, but many of these taxpayers may still be required to register with the Department.
- Commercial real estate includes buildings and dwellings that have not been defined as residential real estate, this includes apartment buildings. All revenue reflected in this estimate is associated with commercial real estate income.
- The growth rate for revenue generated from repealing this exemption mirrors a combination of personal income growth and the change in the number of multi-family, manufacturing, and commercial parcels in Washington State.
- There is significant litigation risk associated with this proposal which is reflected in the compliance rates.
- Compliance:
    - 13 percent revenue collections in Fiscal Year 2017,
    - 26 percent revenue collections in Fiscal Year 2018,
    - 52 percent revenue collections in Fiscal Year 2019, and thereafter.
- Eleven months of cash collections in Fiscal Year 2017 due to the July 1, 2016 effective date.

Data Sources

- 2012 Economic Census, Real Estate and Rental and Leasing: Geographic Area Series
- County Assessor data
- Economic and Revenue Forecast Council, February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	By statute in 1935, by court decision in 1960
Primary Beneficiaries:	Rental property owners
Taxpayer Count:	25,000
Program Inconsistency:	None evident
JLARC Review:	Excluded from JLARC review

82.04.280(1f) - Radio and TV broadcasting

Description

Radio and television broadcasters may claim a B&O tax deduction for:

(1) income received from network, national, and regional advertising, and
(2) the portion of local advertising revenue represented by their out-of-state audience.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.000	$1.000	$1.000	$1.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.900	$1.000	$1.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average annual deduction will be $200 million.
- The 0.484 percent B&O tax rate is the measure of tax savings.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data, line 11, deduction code 1109

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1967
Primary Beneficiaries:	Interstate broadcasters
Taxpayer Count:	65
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.290(1) - International investment management services

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$17.742	$18.904	$19.949	$21.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$17.329	$19.949	$21.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on recent data, current growth rates are assumed to be 8.8 percent; growth is assumed to decline by Fiscal Year 2018 to the rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast for B&O service activities.
- Taxpayers who have recently had their past refund requests granted, but who have not been paying the IIMS rate, will begin to file at the IIMS rate.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's February 2015 forecast
- Department of Revenue audit data

Continued

82.04.290(1) - International investment management services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Taxpayers providing international investment management services
Taxpayer Count:	140
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.290(3) - Aerospace product development

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.837	$1.979	$2.090	$2.207
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.814	$2.090	$2.207
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate used is the "industrial production index for aerospace products and parts" from the Economic and Revenue Forecast Council's February 2015 forecast.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's February 2015 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Firms engaged in aerospace product development
Taxpayer Count:	108
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.2905 - Child care

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.978	$1.032	$1.082	$1.129
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.946	$1.082	$1.129
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- Washington State Economic and Revenue Forecast Council February 2015 forecast
- Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses providing child care
Taxpayer Count:	1447
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.2906 - Chemical dependency treatment

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.169	$0.177	$0.186	$0.195
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.162	$0.186	$0.195
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base growth of 5 percent a year.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

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

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Entities providing treatment for chemical dependency
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.2908 - Assisted living facilities

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$9.751	$9.751	$9.751	$9.751
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$8.939	$9.751	$9.751
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on conversations with the Department of Social and Health Services the growth rate will be zero.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

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

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities
Taxpayer Count:	381
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.2909 - Aluminum manufacturing and wholesaling

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.294 - Solar energy and silicon product manufacturers

Description

The B&O tax rate on manufacturing of solar energy systems or the production of silicon components of these systems is 0.275 percent until June 30, 2017. If there were no special rate, the manufacturing rate would be 0.484 percent.

Note: Firms that utilize this special tax rate must file annual reports with the Department detailing employment, wages paid, and employee benefits.

Purpose

To support the solar electric industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.778	$0.809	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.742	$0.070	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Four percent growth rate.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- June 30, 2017 expiration date, with one month of collections in Fiscal Year 2018.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Manufacturers of solar electric systems and silicon components
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.298(2) - Grocery distribution co-ops

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Less than three co-ops benefit from this exemption and therefore the impact cannot be disclosed.

Data Sources

Department of Revenue taxpayer data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Grocery cooperatives
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.310(1) - Public utilities

Description

Business activity that is subject to the state public utility tax is exempt from B&O tax.

Purpose

To guarantee that income subject to the public utility tax is not also subject to the B&O tax, because the utility tax is in lieu of B&O tax. Public service businesses are taxable under the B&O tax for income derived from activities that are not subject to utility tax, e.g. retail sales of tangible personal property.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$61.000	$63.400	$66.400	$69.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$58.100	$66.400	$69.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rates are from the Economic & Revenue Forecast Council's February 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Income will be taxed twice, once for PUT and once for B&O.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Private and municipal utilities and transportation providers
Taxpayer Count:	12,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.310(2) - Electricity sales for resale

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This information is confidential because there are fewer than three taxpayers that qualify for this exemption.

Data Sources

- The United States Department of Commerce's Energy Information Administration, form 861
- Department of Revenue Sources

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2000
Primary Beneficiaries:	Power marketers selling electricity under contract to other entities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.310(3) - Natural gas surplus sales

Description

Sales of natural or manufactured gas are exempt from B&O tax if the person sells within the United States a total amount of natural or manufactured gas that is no more than twenty percent of the amount of natural or manufactured gas they consumed within the United States within the same calendar year.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is minimal.

Data Sources

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

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2007
Primary Beneficiaries:	Businesses using natural gas in industrial processes
Taxpayer Count:	Unknown, varies each year
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.311 - Tobacco Settlement Authority

Description

Income received by the Tobacco Settlement Authority (Authority) under chapter 43.340 RCW is exempt from B&O tax. The Authority has certain financing powers under chapter 43.340 RCW, including the issuance of bonds to pay for purchasing a portion of the amounts due to the state under the Master Settlement Agreement. The interest and gain on those bonds would otherwise be subject to B&O tax but for this exemption.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although the only affected entity is a quasi-governmental agency, the impact of the exemption cannot be disclosed, since there is only one potential taxpayer.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2002
Primary Beneficiaries:	The Authority and indirectly, citizens of the state
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.317; 82.04.422(1) - Wholesale auto auctions

Description

International banking facilities in Washington receive a B&O tax exemption for income. An international banking facility is:

- a branch of a foreign bank,
- a set of accounts segregated by a commercial bank for international banking,
- an Edge corporation under the Federal Reserve Act, or
- certain Agreement corporations under the Federal Reserve Act.

Purpose

Encourages international trade through banks in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$5.800	$6.770	$7.820	$8.610
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$6.200	$7.820	$8.610
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth mirrors the forecast by Global Insight's Division of IHS, Inc. of composite lagged interest rates for generating personal income.
- Repealed effective July 1, 2016 impacting 11 months of collections in Fiscal Year 2017.

Data Sources

- United States Census Bureau, state population estimates
- Federal Reserve System data for the assets and liabilities of United States branches and agencies of foreign banks
- Global Insight Division of IHS, Inc February 2015 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	International Banking Facilities
Taxpayer Count:	100
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2011

82.04.317; 82.04.422(1) - Wholesale auto auctions

Description

Motor vehicle manufacturers, their financing subsidiaries (must be at least 50 percent owned by the manufacturer), and vehicle dealers licensed under chapter 46.70 RCW are exempt from wholesaling B&O tax on their wholesale sales of motor vehicles if the sales take place at a wholesale auto auction and the purchaser is a vehicle dealer licensed under chapter 46.70 RCW.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.410	$1.468	$1.513	$1.534
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.346	$1.513	$1.534
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the automobile sales growth rate reflected in the February 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Car dealers/auctioneers
Taxpayer Count:	270
Program Inconsistency:	None
JLARC Review:	JLARC is reviewing in 2014

82.04.320 - Insurance premiums

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$584.000	$614.000	$644.000	$677.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$563.000	$644.000	$677.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 5 percent a year.
- Premiums can be subject to both Insurance and B&O taxes.
- The 1.5 percent B&O tax rate is the measure of tax savings.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Insurance companies and ultimately policyholders
Taxpayer Count:	1,700
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.322 - Health maintenance organizations

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$237.400	$252.800	$269.200	$286.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$231.700	$269.200	$286.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (premiums) growth of 6.5 percent a year.
- The activity will also be subject to the insurance premiums tax.
- Under the B&O tax, there will not be a deduction for payments to providers that existed prior to 1993.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

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

82.04.323 - Health Benefit Exchange

Description

Amounts received by the Washington Health Benefit Exchange (WHBE) are not subject to B&O taxes. Established as a private-public partnership under RCW 43.71, the WHBE operates the on-line marketplace that provides access to qualified health insurance plans. Amounts received by the WHBE include federal grants, federal premium tax subsidies and credits, charges to health carriers, and enrollee-paid premiums. This exemption expires July 1, 2023.

Purpose

To reduce the WHBE's operating costs.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Washington State Health Benefit Exchange

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Washington health benefit exchange
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2021

82.04.324 - Nonprofit blood, bone and tissue banks

Description

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

Purpose

To support the activities of these entities.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers report benefits from this exemption; therefore, the revenue impact may not be disclosed.

Data Sources

- National Center For Charitable Statistics
- Department of Revenue excise tax return data

Additional Information

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

82.04.326 - Organ procurement

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Without contacting the two businesses that receive this exemption directly there is no information available to complete an estimate.
- The revenue impact of this exemption is indeterminate, and has fewer than three taxpayers.

Data Sources

None

Additional Information

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

82.04.327 - Adult family homes

Description

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

- licensed as an adult family home, or
- exempt from licensing under rules of Department of Social and Health Services.

Purpose

Reduces the cost of operating adult family homes.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.048	$3.048	$3.048	$3.048
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$2.794	$3.048	$3.048
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Washington State Department of Social and Health Services

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	Adult family homes
Taxpayer Count:	2,770
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2012

82.04.330; 82.04.100 - Christmas tree producers

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.197	$0.195	$0.193	$0.192
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.179	$0.193	$0.192
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Negative 1.0 percent growth rate of is the average Production Value of Calendar Years 2010, 2011 and 2012 as previous years were influenced by the Great Recession.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

United States Department of Agriculture, National Agricultural Statistics Service

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Christmas Tree Farmers
Taxpayer Count:	639
Program Inconsistency:	No
JLARC Review:	JLARC completed an expedited review in 2015

82.04.330 - Agricultural producers

Description

Farmers who grow, raise, or produce agricultural products for sale at wholesale are exempt from B&O tax.

Agricultural products, as defined in RCW 82.04.213, includes any product of plant cultivation or animal husbandry, plantation Christmas trees, animals, birds, insects and fish, as well as the products obtained from animals, such as eggs, milk and honey. It does not include marijuana, useable marijuana, or marijuana-infused products.

Purpose

To aid an industry that was severely depressed in 1935 when the exemption was enacted. The exemption recognizes the low profit margins and high transportation costs faced by most farmers. Furthermore, farmers in Washington have little ability to affect the prices for their products which are determined by national markets, so they cannot pass on the tax to their customers.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$51.800	$53.900	$56.100	$58.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Continued

82.04.330 - Agricultural producers

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$49.400	$56.100	$58.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 90% of value of production would be taxable without the exemption.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- United States Department of Agriculture Ag Census
- United States Department of Agriculture, National Agricultural Statistics Service (NASS)

Additional Information

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

82.04.331 - Conditioned seed wholesaling

Description

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

The exemption excludes seeds packaged for retail sale, "flower seeds" or "vegetable seeds" as defined in RCW 15.49.011, seeds or portions of plants used to grow marijuana, ornamental flowers, shrubs, trees, ferns or mosses.

Purpose

Assist firms that provide seed used in commercial agriculture.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.892	$0.940	$0.990	$1.043
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.862	$0.990	$1.043
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Assume that 95 percent of conditioned seed purchased is from a WA seller
- Growth rate reflects the growth rate of farmers' expense for seeds in the 2012 US Department of Agriculture Farming Census for Washington.
- Fifty eight percent of crop production is from conditioned seed that qualifies for wholesale exemption

Data Sources

United States Department of Agriculture- 2012 Farming Census

Additional Information

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

82.04.332 - Grain and unprocessed milk wholesaling

Description

Wholesale sales of unprocessed milk and various types of grain and other agricultural products, including wheat, oats, barley, dry peas, dry beans, lentils and triticale, are exempt from B&O tax. The exemption does not extend to wholesale sales of products manufactured from these products. Farmers who produce and sell such items at wholesale are already exempt under RCW 82.04.330.

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$7.100	$7.200	$7.200	$7.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$6.600	$7.200	$7.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average annual wholesale sales of grain and unprocessed milk total $1.5 billion.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Joint Legislative Audit and Review Committee

Additional Information

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

82.04.333 - Small timber harvesters

Description

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

Purpose

To support small harvesters.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.056	$0.056	$0.057	$0.058
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.051	$0.057	$0.058
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Annual growth of one percent a year.
- The 0.3424 percent B&O tax rate is the measure of tax savings.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Small timber harvesters
Taxpayer Count:	185
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2015

82.04.334 - Standing timber exclusion

Description

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

Purpose

To support the State's timber industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Unknown	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Integrated wood products companies and real estate investment trusts
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2018

82.04.335 - Agricultural fairs

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.585	$0.591	$0.597	$0.603
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.542	$0.597	$0.603
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- One percent growth per year.

Data Sources

- Washington State Fairs Association
- County fair websites

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1965
Primary Beneficiaries:	County or community fairs or youth livestock shows
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.337 - Hops processed and exported

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.940	$1.940	$1.940	$1.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.775	$1.940	$1.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- In 2014, Washington farms produced approximately 71 million pounds of hops.
- There is consistent hop production per year, so no annual growth.
- Over 95 percent of hops are processed into extract or pellets.
- About 98 percent of the processed hops are exported outside of Washington.
- The farm-gate value of Washington hops in 2014 was $3.89 per pound.
- The value of processed hops is approximately 150% of farm gate value.
- The processed value of exported hops is about $400 million per year.

Data Sources

- Washington Hop Commission
- United States Department of Agriculture - National Hop Report issued in December 2014

Additional Information

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

82.04.338 - Hop Commission services

Description

Nonprofit organizations are exempt from B&O tax on income earned from business activities performed for a hop commodity commission or hop commodity board.

Purpose

Supports the hop industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.021	$0.021	$0.021	$0.021
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.019	$0.021	$0.021
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There is one nonprofit organization that performs work for the Hop Commission.
- The value of the work performed is $139,000 per year.
- Amount of services performed will be constant.
- Per the Hop Commission, the service amount is not confidential.

Data Sources

Washington Hop Commission

Additional Information

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

82.04.339 - Church child care

Description

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

Purpose

Reduces the cost of operating such facilities.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.784	$0.788	$0.830	$0.873
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.094	$0.216	$0.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Eleven months collections in FY 2017 based on July 1, 2016 effective date.
- Growth rate derived from February 2015 Economic and Revenue Forecast Council.
- This group of taxpayers are currently not registered with the department, therefore reporting compliance is expected to be:
  - 13 percent revenue collections in Fiscal Year 2017,
  - 26 percent revenue collections in Fiscal Year 2018,
  - 39 percent revenue collections in Fiscal Year 2019, and
  - 52 percent revenue collections in Fiscal Year 2020 and thereafter.

Data Sources

Washington State 2012 Child Care Survey, Table 9 Child Care Center Population by Region and Age Group

Additional Information

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

82.04.3395 - Child care resources and referral

Description

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

Purpose

Reduces the cost of providing these services.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.215	$0.224	$0.233	$0.242
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.205	$0.233	$0.242
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Growth rate of 4 percent per year.
- Without this exemption, the B&O tax rate would be 1.5 percent.

Data Sources

- Volunteers of America (VOA) 2013 Annual Report
- Child Care Action Council of Washington (CCACWA) 2013 Annual Report

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Child care resource and referral offices, many of which are housed under an umbrella organization such as the Child Care Resource and Referral Network
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.340 - Boxing and wrestling matches

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.094	$0.097	$0.100	$0.103
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.089	$0.100	$0.103
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.
- Washington State disposable income is a reasonable proxy for spending in leisure activates.
- Boxing as a sport is experience zero to negative growth.
- Growth rate is a combination of forecasted disposable income and growth in the boxing industry.

Data Sources

- Washington State Economic and Revenue Forecast Council (EFRC), February 2015 forecast
- Global insights forecast

Additional Information

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

82.04.350 - Horse racing

Description

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

Purpose

To exempt gross income from B&O tax that is already taxable under the pari-mutuel tax (RCW 67.16.105).

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

Washington Horse Racing Commission

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Horse-racing industry
Taxpayer Count:	Less than three taxpayers
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2007

82.04.355 - Ride-sharing and special needs transportation

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit social service organizations that provide transportation services
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2011

82.04.360 - Life insurance sales employees

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.132	$1.166	$1.202	$1.238
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.534	$0.721	$0.867
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the Washington State real personal income growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- Eleven months of collections in Fiscal Year 2017 due to the July 1, 2016 effective date.
- Life insurance premiums are 23% of total insurance premiums.
- Compliance:
  - 50 percent revenue collections in Fiscal Year 2017,
  - 60 percent revenue collections in Fiscal Year 2018,
  - 70 percent revenue collections in Fiscal Year 2019, and
  - 80 percent revenue collections in Fiscal Year 2020 and thereafter.

Data Sources

- Employment Security Department employment and wage data
- Economic & Revenue Forecast Council's February 2015 forecast
- Office of the Insurance Commissioner 2013 annual report

Continued

82.04.360 - Life insurance sales employees

Additional Information

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

82.04.360 - Income of employees

Description

Employees and servants are exempt from the B&O tax for their income. The exemption does not extend to corporate board directors, or to RCW 18.16 licensed cosmetologists, barbers, estheticians, and manicurists who pay a fee to use part of a salon, but do not receive compensation from the owner. They must pay B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1,764.390	$1,866.534	$1,966.411	$2,074.626
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1,539.890	$1,868.090	$1,970.895
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on the Economic and Revenue Forecast Council's February 2015 Washington state salary and wage forecast and an average B&O tax rate an estimated using 2014 tax return data.
- July 1, 2016 effective date, with 11 months collections in Fiscal Year 2017.
- Compliance:
  - 90 percent revenue collections in Fiscal Year 2017, and
  - 95 percent revenue collections in Fiscal Year 2018 and thereafter.

Data Sources

- Department of Revenue tax return data
- Economic and Revenue Forecast Council, February 2015 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Washington State Employees
Taxpayer Count:	250,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.363 - Nonprofit camps and conference centers

Description

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

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

Purpose

To reduce the cost of operating camps and conference centers.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.492	$0.507	$0.522	$0.538
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.464	$0.522	$0.538
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 73 percent of nonprofit income is from program services.
- On average 30 percent of nonprofit income comes from Camps/conference centers.
- 3 percent annual growth.

Data Sources

- National Center for Charitable statistics
- American Camp Association http://www.acacamps.org/media/aca-facts-trends

Additional Information

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

82.04.3651 - Nonprofit organization fund-raising

Description

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

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$48.292	$49.741	$51.233	$52.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$45.596	$51.233	$52.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington nonprofits reported over $57.8 billion in total revenue in Fiscal Year 2012.
- Twenty-one percent of that income came from contributions, gifts and government grants
- Fundraising is assumed to be 25 percent of that income.
- Annual growth of 3 percent.

Data Sources

National Center for Charitable Statistics

Continued

82.04.3651 - Nonprofit organization fund-raising

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations which raise funds to support their activities
Taxpayer Count:	35,000 non-profits
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2014

82.04.367 - Nonprofit student loan organizations

Description

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

- are guarantee agencies under the federal guaranteed student loan program,
- issue debt for student loans, or
- provide guarantees for student loans.

Purpose

Promotes the availability of student loans.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

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

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	Qualifying nonprofit student loan organizations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2012

82.04.368 - Nonprofit credit and debt counseling

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Nonprofits do not generally charge clients for the counseling service.
- May be minimal taxpayer savings.

Data Sources

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

Additional Information

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

82.04.370 - Fraternal insurance

Description

Insurance premium income received by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disabilities benefits and insure property for their members. These premiums are also exempt from insurance premiums tax under RCW 48.36A.240.

Purpose

To support the programs and activities of these organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$2.700	$2.700	$2.700	$2.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$2.500	$2.700	$2.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average of $180 million in premium income annually.
- Without this preference, the activity would be taxed at 1.5 percent.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.380 - Federal instrumentalities furnishing aid and relief

Description

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

- volunteer aid to the armed forces, and
- a system of national and international disaster relief.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption applies to less than three taxpayers.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Excluded from JLARC review

82.04.385 - Nonprofit sheltered workshops

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.020	$3.220	$3.430	$3.660
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$2.950	$3.430	$3.660
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	Workshops and training homes throughout the state
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.390 - Real estate sales

Description

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

Purpose

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

1) the B&O tax was intended to tax only sales of tangible personal property and certain services; or

2) exempting such sales would benefit the real estate industry, as such sales would be subject to real estate excise tax but not B&O tax (note sales of tangible personal property are subject to both retail sales tax and retailing B&O tax).

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$241.894	$254.279	$263.034	$271.869
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would likely not increase revenues.

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayer savings will grow at the same rate as real estate excise tax in the Economic and Revenue Forecast Council February 2015 forecast.
- Taxpayer count is the same as total yearly affidavits for real estate excise tax.

Continued

82.04.390 - Real estate sales

Data Sources

- State Real Estate Excise Tax Collections
- Economic and Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Those selling real estate
Taxpayer Count:	250,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.392 - Amounts from trust accounts received by mortgage brokers

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.562	$0.602	$0.643	$0.697
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.110	$0.129	$0.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Buyers will use a mortgage broker for a home loan 15 percent of the time.
- Certain third-party fees would not qualify as pass-through (under WAC 458-20-111) and the broker would owe tax on those amounts.
- Eighty percent of the third-party fees paid by brokers qualify as pass-through (under WAC 458-20-111).
- A repeal of this exemption becomes effective July 1, 2016, impacting 11 months of collections in Fiscal Year 2017.

Data Sources

- National Mortgage News article, "Will Mortgage Brokers Gain or Lose from Shift to Purchase Market?" (March 5, 2014)
- Washington Center for Real Estate Research, Existing Home Sales
- United States Census Bureau, Building Permits
- Bankrate.com, Washington's Closing Costs (survey), June 2014
- Global Insight's Division, IHS, Inc., February 2015 Forecast

Continued

82.04.392 - Amounts from trust accounts received by mortgage brokers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Mortgage brokers holding funds used to pay for third-party provided services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2015

82.04.395 - Printing by schools

Description

School districts and educational service districts are exempt from B&O tax on the value of materials printed in-house, if the materials are exclusively for district use.

Purpose

To support education. There are similar exemptions for printing by local governments and libraries.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.042	$0.042	$0.042	$0.042
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues as long as school districts and educational service districts are removed from RCW 82.04.600.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.039	$0.042	$0.042
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- RCW 82.04.600 (materials printed in county, city, town, school district, educational service district, library or library district) is amended to exclude printing by schools.
- No growth due to volatility of spending.
- Eleven months collections in FY 2017 based on July 1, 2016 effective date.

Data Sources

Office of Superintendent of Public Instruction Financial Reporting Summary

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1979
Primary Beneficiaries:	School districts and Educational Service Districts
Taxpayer Count:	315
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2011

82.04.397 - Printing by local governments

Description

The value of materials printed in-house by cities and counties exclusively for their own use is exempt from B&O tax.

Purpose

Reduces printing costs for local governments.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.012	$0.012	$0.012	$0.012
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues as long as counties, cities, and towns are removed from RCW 82.04.600.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.011	$0.012	$0.012
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- RCW 82.04.600 (materials printed in county, city, town, school district, educational service district, library or library district) is amended to exclude printing by counties, cities, and towns.
- No growth due to volatility of spending.
- Eleven months collections in FY 2017 based on July 1, 2016 effective date

Data Sources

Local Government Financial Reporting System

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1979
Primary Beneficiaries:	Counties, cities and towns
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2011

82.04.399 - Academic transcripts

Description

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

Purpose

Educational institutions which are considered departments and institutions of the state of Washington (e.g., The University of Washington) are not subject to B&O tax and would not be subject to sales of transcripts regardless of this exemption. Private institutions, however, would be subject to B&O tax on such sales.

This exemption provides that all educational institutions, public or private, are exempt from B&O tax on amounts received for sales of transcripts, and thus levels the playing field for public and private educational institutions with respect to these sales.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.010	$0.010	$0.010	$0.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.009	$0.010	$0.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.399 - Academic transcripts

Assumptions

- The state would not pay B&O tax on income from providing transcripts for students at public colleges and universities, since it is not a taxable "person" under RCW 82.04.030.
- Political subdivisions, however, are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.
- 50% of college graduates order and pay for 5 transcripts @ $10 each.
- 80% of high school students order 4 transcripts @ $2 each.

Data Sources

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

Additional Information

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

82.04.405 - Credit unions - federal chartered

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.000	$3.000	$3.100	$3.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenue impact from repeal because federal law prohibits state taxation of federal credit unions.

Data Sources

- http://www.ncua.gov/Legal/Documents/Reports/CUStat2010.pdf
- http://researchcu.ncua.gov/Views/FindCreditUnions.aspx

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Federal-chartered credit unions
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	Excluded from JLARC review

82.04.405 - Credit unions - state chartered

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$26.800	$27.300	$27.900	$28.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$25.100	$27.900	$28.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base growth of 2 percent a year
- State-chartered credit unions represent 90 percent of total taxable income.
- The 1.5 percent B&O tax rate is the measure of tax savings
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date

Data Sources

- National Credit Union Agency
- Joint Legislative Audit and Review Committee

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	State-chartered credit unions
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.408 - Housing Finance Commission

Description

Income received by the Housing Finance Commission is exempt from B&O tax. This income includes fees generated from bond issues and interest received from reserves used for the operation of the Commission.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may possibly increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although the only affected entity is a governmental agency, the impact of this exemption cannot be publicly stated since there is only one entity affected by the statute.

Data Sources

Washington State Housing Finance Commission, Report of Independent Auditors and Financial Statements with Supplemental information

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	The Housing Finance Commission
Taxpayer Count:	1
Program Inconsistency:	None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption
JLARC Review:	JLARC completed an expedited review in 2011

82.04.410 - Hatching eggs and poultry

Description

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

Purpose

To support poultry producers.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.002	$0.002	$0.002	$0.002
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.002	$0.002	$0.002
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Baby chicks currently cost about 65 cents for a day-old chick and $9 for an 18-week old pullet.
- Washington farmers spent $2.5 million on chicks and eggs.
- There are no hatcheries in Washington that produce genetically improved chicks on a large scale basis for commercial producers.
- Most of Washington's commercial egg producers purchase their replacement chicks from out-of-state hatcheries that deliver the chicks to them.
- 20% purchased in state, but this could increase depending on the outcome of the avian flu outbreak.
- No annual growth.

Data Sources

- United States Agriculture Census, 2012
- Joint Legislative Audit & Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers
Taxpayer Count:	Unknown
Program Inconsistency:	None known
JLARC Review:	JLARC completed a full review in 2008

82.04.415 - Sand and gravel for local road construction

Description

The cost of labor and services performed in mining, sorting, crushing, screening, washing, hauling and stockpiling of sand, gravel and rock taken from a pit owned by or leased to a city or county is exempt from B&O tax. The sand, gravel or rock must be either:

(1) placed on a street of the city or county or
(2) sold at cost to another city or county for use on public roads.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.128	$0.128	$0.128	$0.128
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.117	$0.128	$0.128
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- There is no growth rate as the average growth rate without the year of the great recession equals zero.
- Sand and Gravel used in local construction represents 7.5 percent of government contracting.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1965
Primary Beneficiaries:	Contractors and municipalities that perform road work
Taxpayer Count:	120
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.416 - 2nd Narrows bridge

Description

Income from the operation of state route #16 corridor transportation systems and facilities constructed and operated under Chapter 47.46 RCW is exempt from B&O tax. This statute addresses the second bridge across the Tacoma Narrows. The state contracts with a private firm to operate the toll booths. The income the state pays the operator of the bridge tolling systems is exempt from B&O tax under this statute. Note: The toll receipts are income of the state and not subject to state B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.

Data Sources

Washington State Department of Transportation

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	State of Washington
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2014

82.04.418 - Grants to local government

Description

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

Purpose

Supports grants for social welfare services.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

None

Additional Information

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

82.04.419 - County, city, town, school district or fire district business income

Description

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

Public utilities and enterprise activities do not receive a B&O tax exemption. Enterprise activities include activities financed and operated similar to a private business.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$157.000	$161.000	$165.000	$169.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$45.000	$49.000	$51.000	$54.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Other exemptions in this study exclude the business income of counties, cities, towns and school district.
- Certain types of county, city, town, school district, and fire district income is exempt under other statutes (for example: RCW 82.04.4281, RCW 82.04.4291, and RCW 82.04.4297).
- County, city, town and fire district income will grow at the same rate as service and other business income for business and occupation taxes.
- Based on historical school district income, school district income will grow at one percent per year.
- For business and occupation taxes, the income under this exemption would be classified as service and other income and the tax rate would be 1.5 percent.
- Repealing this exemption effective July 1, 2016 impacts 11 months of collections in Fiscal Year 2017.

Continued

82.04.419 - County, city, town, school district or fire district business income

Data Sources

- State Auditor's Office, Local Government Financial Reporting System data
- Office of the Superintendent of Public Instruction, school district financial data
- Economic and Revenue Forecast Council, February 2015 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Counties, cities, towns, school districts, and fire districts
Taxpayer Count:	1,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2013

82.04.4201 - Regional Transit Authority Sales and Leasebacks

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This financing mechanism is no longer used.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2000
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2015

82.04.421 - Group discount purchases

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, the firm could easily shift its location outside of this state for sales to nonresidents.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There are no longer any businesses using this tax exemption.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Sellers of certain memberships
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.422(2) - Accommodation sales of automobiles

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.938	$1.024	$1.055	$1.070
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.939	$1.055	$1.070
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- These types of sales will still take place in the auto dealer industry as they did prior to this law enactment, it is very customary for these types of transactions to occur between new auto dealers.
- The growth rate will mirror the Automobile Sales growth rate reflected in the February 2015 economic forecast.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data (new auto dealers only)
- Economic & Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2001
Primary Beneficiaries:	New car dealers
Taxpayer Count:	75
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2015

82.04.424 - Sellers with limited Washington connection

Description

Sellers with a limited connection to this state are exempt from the B&O tax. The seller's activities in Washington, whether conducted directly or through another person are limited to:

- Storage, dissemination, or display of advertising,
- Taking orders, and
- Processing payments.

The seller's activities must be conducted electronically from a website on a server or other computer equipment located in Washington that is not owned or operated by the seller or by an affiliated person.

This exemption expires when (a) The United States congress grants states the authority to impose sales and use tax collection duties on remote sellers; or (b) a court, in a judgment not subject to review, determines that a state can impose sales and use tax collection duties on remote sellers.

If this exemption is to expire, the Department must notify the affected parties, the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser and others as deemed appropriate by the Department.

Purpose

Exempt B&O tax to sellers with very limited connections to Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.859	$1.963	$2.062	$2.162
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.799	$2.062	$2.162
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's June 2015 forecast.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Sellers have limited connection to the state and the only presence in Washington is with a third party sellers.

Continued

82.04.424 - Sellers with limited Washington connection

Data Sources

- Economic & Revenue Forecast Council's June 2015 forecast.
- US Census Bureau
- World Bank Gross Domestic Product
- Central Intelligent Agency Population Information
- Security and Exchange Commission: Amazon 2014 Annual Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Sellers with limited Washington connections
Taxpayer Count:	460,000
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.425 - Accommodation sales

Description

Wholesale sales between businesses regularly selling the same type of property are exempt from the wholesaling B&O tax where the sale (1) is at cost to a buyer with an existing order for the product from a customer, or (2) occurs within 14 days as a reimbursement in-kind for a previous accommodation sale.

Additionally, sales by a wholly-owned subsidiary to its parent company are exempt from the wholesaling B&O tax when the parent (1) sells the goods in a transaction that is exempt under RCW 82.08.0262, and (2) pays the B&O tax.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.819	$0.873	$0.914	$0.928
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.400	$0.549	$0.742
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the Nonresidential Fixed Investments growth rate reflected in the February 2015 economic forecast.
- This estimate does not include auto dealers.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.
- Compliance:
  - 50 percent revenue collections in Fiscal Year 2017,
  - 60 percent revenue collections in Fiscal Year 2018,
  - 70 percent revenue collections in Fiscal Year 2019,
  - 80 percent revenue collections in Fiscal Year 2020 and thereafter.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council February 2015 Forecast

Continued

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1955
Primary Beneficiaries:	Wholesalers/Retailers
Taxpayer Count:	184
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2010

82.04.4251 - Nonprofit convention and tourism promotion

Description

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

Purpose

To encourage tourism.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

It appears that only one such organization exists in the state - the Washington Tourism Alliance. This organization receives most of its funding from industry sources. For Fiscal Years 2014 and 2015 they received $500,000 per year in seed money. They received no funding for the current biennium; therefore there is no fiscal impact at this time.

Data Sources

Travel Weekly, August 27, 2013, http://www.travelweekly.com/North-America-Travel/Nonprofit-leads-effort-to-boost-Washington-state-marketing/

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2006
Primary Beneficiaries:	Private organizations that promote tourism
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2017

82.04.426 - Semiconductor microchip manufacturing after $1 billion investment

Description

Firms that manufacture semiconductor microchips are exempt from B&O tax. The exemption is contingent on commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion dollars.

The investment criterion has not been met, and is unlikely to occur during the forecast period of this study. If the exemption does become effective, it will expire nine years after the effective date.

Purpose

To retain and attract semiconductor firms in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

Information is from Department of Revenue data sources.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4261 - Federal small business innovation grants

Description

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

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.301	$0.318	$0.335	$0.353
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.292	$0.335	$0.353
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors growth for the service and other activities business and occupation tax classification reflected in the Economic and Revenue Forecast Council's February 2015 forecast.
- Eleven months of collections in Fiscal year 2017 due to July 1, 2016 effective date.

Data Sources

- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer Award Data
- Economic and Revenue Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Persons receiving grants from under the federal small business innovation research program
Taxpayer Count:	48
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4262 - Federal small business technology transfer grants

Description

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

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.104	$0.110	$0.116
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.095	$0.110	$0.116
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors growth for the service and other activities business and occupation tax classification reflected in the Economic and Revenue Forecast Council's February 2015 forecast.
- Eleven months of collections in Fiscal year 2017 due to July 1, 2016 effective date.

Data Sources

- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer Award Data
- Economic and Revenue Forecast Council February 2015 Forecast

Continued

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Persons receiving grants from the federal government under the small business technology transfer program. The small business technology transfer program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4263 - Life sciences discovery fund

Description

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

Purpose

To stimulate research and development in the life sciences.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repeal of this exemption will not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This estimate contains confidential taxpayer information and is not disclosable.

Data Sources

Income data provided by the Life Science Discovery Fund

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2005
Primary Beneficiaries:	Life Science Discovery Fund
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2013

82.04.4264 - Nonprofit assisted living facilities

Description

Licensed nonprofit assisted living facilities licensed under chapter 18.20 RCW providing room and domiciliary care to residents are exempt from B&O tax on amounts received.

A nonprofit assisted living facility is one operated as a religious or charitable organization, is exempt from federal income tax under 26 U.S.C. Sec. 501(c)(3), incorporated under chapter 24.03 RCW, operated as part of a nonprofit hospital, or is operated as part of a public hospital district.

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

Purpose

Reduces the tax liability of nonprofit assisted living facilities.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.098	$0.098	$0.098	$0.098
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.090	$0.098	$0.098
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Without this exemption, the B&O rate would be 0.275 percent.

Data Sources

- Washington State Economic and Revenue Forecast Council February 2015 forecast
- Department of Revenue excise tax return data
- Department of Social and Health Services

Continued

82.04.4264 - Nonprofit assisted living facilities

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Nonprofit assisted living facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4265 - Comprehensive cancer centers

Description

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

Purpose

To encourage cancer research by a comprehensive cancer center as defined in RCW 82.04.4265

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2013

82.04.4266 - Fruit and vegetable manufacturing or processing

Description

Businesses that manufacture or process fresh fruits or vegetables are exempt from the B&O tax. Eligible activities include canning, preserving, freezing, processing or dehydrating of these agricultural products. The exemption also applies to firms that conduct these activities but sell the products to buyers who transport the products outside the state. "Fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products.

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

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$4.723	$4.723	$4.723	$4.723
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$4.329	$4.723	$4.723
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.
- Assume zero growth.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Firms that manufacture or process fresh fruits or vegetables
Taxpayer Count:	185
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.04.4267 - Parking and business improvement areas

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.312	$0.328	$0.344	$0.362
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.301	$0.344	$0.362
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the average B&O growth rate reflected in the Department of Revenue data for Fiscal Year 2011 to Fiscal Year 2014.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.
- For the years where the data is unknown, previous exemption study data was used in combination with the growth rate for Fiscal Year 2011 to Fiscal Year 2014.
- The Business Improvement Area for the city of Seattle expanded to include more neighborhoods than in previous studies.

Data Sources

- Department of Revenue excise tax data
- Various cities Business Improvement Area reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Local government with business improvement areas
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4268 - Dairy products manufacturing or wholesaling

Description

Manufacturers of dairy products, as well as wholesalers of such products shipped out of state are exempt from the B&O tax. Eligible products include byproducts from manufacturing of dairy products, such as whey and casein. In 2013, legislation modified this exemption to also include dairy product sales for use as an ingredient or component in the manufacturing of a dairy product. This exemption expires July 1, 2025.

Purpose

To encourage the production of milk and dairy products.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.300	$1.300	$1.300	$1.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.200	$1.300	$1.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The estimate uses the 0.138 percent B&O tax rate to calculate taxpayer savings.
- No growth factor assumed because the amounts of tax savings in recent past have been relatively consistent.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Accountability surveys and industry sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Dairy businesses
Taxpayer Count:	16
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.04.4269 - Seafood products manufacturing

Description

Manufacturers and certain sellers of seafood products are exempt from the B&O tax if the seafood remains in a raw, raw frozen, or raw salted state, when the manufacturing process is completed. This exemption expires July 1, 2025.

Purpose

To support the seafood processing industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.700	$0.700	$0.700	$0.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.600	$0.700	$0.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth factor assumed because the amounts of tax savings in recent past have been relatively consistent.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Accountability surveys and industry sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Seafood businesses
Taxpayer Count:	42
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

82.04.427; 82.34.060(2) - Pollution control facilities

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.633	$0.633	$0.633	$0.633
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.580	$0.633	$0.633
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The entire credit is taken against B&O tax.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Firms meeting upgraded pollution standards, primarily in the lumber and wood products, paper, aluminum, and food products industries.
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.4271 - Nonprofit youth organization fees

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.513	$0.528	$0.544	$0.560
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.484	$0.544	$0.560
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 50 percent of revenues are from program service fees.
- 3 percent growth per year.

Data Sources

National Center for Charitable Statistics, National Taxonomy of Exempt Entities, Group O, Youth Development, http://nccsweb.urban.org/tablewiz/showreport.php

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations.
Taxpayer Count:	200 to 800
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2011

82.04.4272 - Direct mail delivery charges

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.020	$0.021	$0.022	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.019	$0.022	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Retail sales growth rate forecast is used for this estimate.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.
- Large mailing customers have their own mailing permits and therefore would not be purchasing the postage part of mailing services.
- Large direct mailers with annual gross income over $750,000 would not be selling the postage part of mailing services.

Data Sources

- Department of Revenue excise tax data
- Economic & Revenue Forecast Council's February 2015 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	130
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4274 - Nonprofit property management

Description

A B&O deduction is permitted for amounts that:

(1) a nonprofit property management company receives for compensating on-site employees from the owner of property;

(2) a property management company receives for compensating on-site employees from a housing authority; or

(3) a property management company receives for compensating on-site employees from a limited liability company or limited partnership of which the sole managing member or sole general partner is a housing authority.

Purpose

To treat these amounts as a tax-exempt pass-through. The management company supervises the on-site personnel, but the wages are ultimately the obligation of the owner.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.728	$0.769	$0.810	$0.852
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.705	$0.810	$0.852
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2016 effective date leading to eleven months of cash collections in Fiscal Year 2017 and twelve months in all subsequent years.
- Future growth rate will mirror the growth rate forecast for the services classification of the business and occupation tax.

Data Sources

Washington State Economic and Revenue Forecast Council, February 2015 forecast

Continued

82.04.4274 - Nonprofit property management

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2011
Primary Beneficiaries:	Nonprofit property management companies or proprietary property management companies whose clients are housing authorities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2021

82.04.4275 - Child welfare services

Description

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

Purpose

Lessens the costs of nonprofit health or social welfare organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.725	$0.725	$0.725	$0.725
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.665	$0.725	$0.725
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Growth rate is zero.
- 17 percent of child and youth services are non-profit.

Data Sources

- Department of Revenue Excise Tax Data
- Department of Social and Health Services payment data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2011
Primary Beneficiaries:	Eligible nonprofit organizations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2021

82.04.4277 - Mental health services

Description

Nonprofit health or social welfare organizations receive a B&O tax deduction for providing mental health services under a government-funded program. The same deduction applies to regional support networks for amounts received by the state for distribution to health or social welfare organizations which qualify for the deduction. The deduction expires August 1, 2016.

Purpose

The B&O deduction reduces the cost of providing mental health services.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.873	$0.156	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.156	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth factor assumed for this estimate.
- One month taxpayer savings in Fiscal Year 2017 due to the August 1, 2016 expiration date.
- One month taxpayer savings in Fiscal Year 2017 due to the July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax returns
- Department of Revenue accountability reports

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2011
Primary Beneficiaries:	Health and social welfare organizations
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.4281(a) - Investments by nonfinancial firms

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$307.000	$325.000	$342.000	$357.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$162.000	$198.000	$207.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Investment income includes interest income, dividend income, and capital gains income.
- Non-financial businesses, trusts, and non-profits owing tax of $20,000 or more on investment income would restructure immediately to manage investment income outside of Washington and recoup the cost of restructuring within three years.
- Estates cannot restructure to manage investment income outside of Washington.
- The investment income of individuals would be taxed in Washington even if a person created a business outside of Washington to manage the investment income.
- Estates, trusts, non-profits, and individuals owing tax on investment income would utilize the small business credit to reduce the tax they owe. Non-financial businesses eligible for the small business credit use the credit against income taxable under current law.
- Interest income and dividend income grow at the national rate of growth for these types of income as forecasted by the Global Insights Division of IHS, Inc.
- Capital gains income grows at the rate of growth for real personal income as forecasted by the Economic and Revenue Forecast Council for Washington.

Continued

82.04.4281(a) - Investments by nonfinancial firms

Assumptions (continued)

- Washington's portion of national investment income by industry approximates the percentage of employment in Washington in that industry versus the industry's national employment.
- The Department of Revenue (Department) can easily notify non-financial firms, non-profits, estates, trusts, and individuals of the removal of this deduction. These businesses will pay the tax at a rate of:
  - 90 percent of revenue collections in Fiscal Year 2017, and
  - 95 percent of revenue collections in Fiscal Year 2018 and thereafter.
- The Legislature repeals this deduction effective July 1, 2016 impacting 11 months of collections in Fiscal Year 2017.

Data Sources

- Department of Revenue excise tax return data
- Internal Revenue Service Statistics of Income
- Bureau of Labor Statistics Employment Data by State
- Global Insight's Division of IHS, Inc's February 2015 Forecast
- Economic and Revenue Forecast Council's February 2015 Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Non-financial businesses, estates, trusts, non-profits, and individuals with investments
Taxpayer Count:	1,470,000
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2009

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

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Unknown	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues; however, businesses may be able to shift this income to out-of-state affiliates.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Information on amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries, and information on amounts derived on loans between a subsidiary and a parent or between subsidiaries of a common parent do not appear on state excise tax returns or business financial statements.

Data Sources

- Instructions for federal consolidated corporate income tax reporting
- Department of Revenue, Intercompany Transactions Report, 2012

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1970
Primary Beneficiaries:	Businesses with subsidiaries
Taxpayer Count:	Unknown
Program Inconsistency:	No
JLARC Review:	JLARC completed a full review in 2011

82.04.4282(1,2) - Membership dues and fees

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$14.759	$16.691	$17.398	$18.134
Local Taxes	$1.261	$1.261	$1.261	$1.261

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$10.613	$12.809	$14.522
Local Taxes	$0.000	$1.156	$1.261	$1.261

Assumptions

- No goods or services received in exchange for initiation fees and membership dues paid.
- Labor unions report all membership dues and initiation fees to the Department of Labor.
- This affects businesses reporting a deduction for membership dues and fees.
- This proposal does not affect:
  - Business entities that are sole proprietorships,
  - Artistic or cultural organizations,
  - Social welfare organizations, and
  - Nonprofit youth organizations.
  - Entities whose primary business activity is retailing will need to report their membership dues and initiation fees under retailing B&O tax and collect retail sales tax.
- Compliance assumptions for businesses not currently registered and/or reporting:
  - 50 percent revenue collections in Fiscal Year 2017,
  - 60 percent revenue collections in Fiscal Year 2018,
  - 70 percent revenue collections in Fiscal Year 2019, and
  - 80 percent revenue collections in Fiscal Year 2020 and thereafter.

Continued

82.04.4282(1,2) - Membership dues and fees

Assumptions (continued)

- A medium compliance factor is used because there would be both instate and out-of-state taxpayers that would be new to our system. Identifying those taxpayers through enforcement activities is likely to take several years.
- Local sales tax rate of 2.49902 from Fiscal Year 2015 is used.
- This estimate assumes no growth in retail sales tax.
- The growth rate will mirror the business and occupation tax growth rate reflected in the November 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Economic Revenue & Forecast Council November 2015 Forecast
- United States Department of Labor
- Department of Revenue excise tax return data
- United States Census data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit Entities
Taxpayer Count:	370
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2007

82.04.4282(3,4) - Contributions and donations

Description

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

Purpose

Recognizes that donations are the business activity of the organization.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$8.127	$8.546	$8.947	$9.352
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$7.834	$8.947	$9.352
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the business and occupation tax growth rate reflected in the February 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.
- Amounts reflected in this estimate are higher than the amounts in the 2012 study. This is due to the inclusion of additional deductions taken under line code 04 deduction code 11 attributed to "contributions." that were not included in the 2012 study.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit entities
Taxpayer Count:	110
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2007

82.04.4282(5) - Tuition and fees

Description

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

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

Purpose

Reduces the cost of education provided by schools and colleges.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$9.965	$10.479	$10.971	$11.468
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$9.606	$10.971	$11.468
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the business and occupation growth tax rate reflected in the February 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Private Educational Institutions
Taxpayer Count:	70
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2009

82.04.4282(6) - Trade shows

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.011	$0.012	$0.013	$0.013
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.011	$0.013	$0.013
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the business and occupation tax growth rate reflected in the February 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	Nonprofit organizations
Taxpayer Count:	6
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2013

82.04.4282(7) - Private kindergartens

Description

Privately operated kindergartens may take a B&O deduction for charges made to operate of the kindergarten.

Purpose

Supports privately operated kindergartens.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Kindergarten tuition is in included in the total tuition received by schools.
- This deduction is included in the deduction for tuition and fees, RCW 82.04.4282(5).

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Privately operated kindergartens
Taxpayer Count:	530
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4282(8) - Endowment funds

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Any amounts being claimed under this deduction are also likely deductible under other statutes (e.g. donations/contributions or investment returns of non-financial businesses), therefore, it is believed there would be no revenue impact for this statute.

Data Sources

- National Bureau of Economic Research
- http://www.nacubo.org/About_NACUBO/Press_Room/2014_NACUBO-Commonfund_Study_of_Endowments_(Final_Data).html
- http://www.nacubo.org/Documents/EndowmentFiles/2014_NCSE_Public_Tables_Annual_Rates_of_Return.pdf
- http://www.nacubo.org/Documents/EndowmentFiles/2014_Endowment_Market_Values_Revised.pdf

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1980
Primary Beneficiaries:	Groups or organizations that receive endowment funds
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Not on JLARC review schedule

82.04.4283 - Cash discounts

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$70.386	$74.318	$78.034	$81.936
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. B&O tax does not apply to income not actually received by the seller.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

B&O tax does not apply to income not received by the seller.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	350,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4284 - Bad debts

Description

Businesses may deduct bad debts from B&O tax.

Bad debts do not include:
- property that remains with the seller until the full price is paid,
- debt collection expenses,
- sales or use tax paid to a seller, or
- repossessed property.

Purpose

Provides equal treatment to taxpayers using cash basis accounting and accrual basis accounting.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$12.956	$13.592	$14.259	$14.959
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$12.459	$14.259	$14.959
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No significant shift by businesses using accrual based accounting to cash based accounting as a result of this deduction being repealed.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's February 2015 forecast.

Data Sources

- Department of Revenue tax return data
- Economic and Revenue Forecast Council, February 2015 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	B&O Taxpayers
Taxpayer Count:	9,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2008

82.04.4285 - Motor fuel taxes

Description

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

The state levies a tax of 37.5 cents per gallon of fuel. The federal government imposes a tax of 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$6.807	$8.371	$8.659	$8.882
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$7.674	$8.659	$8.882
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the growth rate for oil prices reflected in the February 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.
- This estimate includes the increase in the motor vehicle and special fuel tax rates enacted by 2ESSB 5987 (2015).

Data Sources

- Department of Revenue excise tax data
- Economic Revenue & Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Fuel Wholesalers and Retailers
Taxpayer Count:	1,987
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2009

82.04.4286 - Constitutional deductions

Description

Taxpayers may deduct amounts the state cannot tax under Washington's Constitution or the United States Constitution. For example Washington cannot tax:

- Sales of firms delivering to other states (including imported goods).
- Sales of firms without nexus in Washington.
- Exported products of retailers and wholesalers.
- Indian tribes' or tribal members' business activities in Indian country.

Purpose

Avoids violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$756.461	$795.498	$832.851	$870.554
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue would be collected if this exemption was repealed.
- The taxpayer savings growth rate mirrors the B&O growth rated reflected in the Economic and Revenue Forecast Council's February 2015 forecast.

Data Sources

- Department of Revenue tax return data
- Washington State Gaming Commission data
- The Economic and Fiscal Impacts of Indian Tribes in Washington, Jonathan B. Taylor, 2012

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Firms engaged in interstate and foreign commerce and Indian tribal enterprises
Taxpayer Count:	38,000
Program Inconsistency:	None evident
JLARC Review:	Excluded from JLARC review

82.04.4287 - Processing horticultural products

Description

Farmers may claim a B&O tax deduction for income received for washing, sorting and packing fresh, perishable horticultural products.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.955	$4.100	$4.280	$4.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$3.771	$4.280	$4.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 10% of value is the cost to process the horticultural products.
- 4% growth based on past data.

Data Sources

WSDA data - Value of Agricultural Production

Additional Information

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

82.04.4289 - Nonprofit kidney dialysis, nursing homes, and hospice

Description

Compensation received for patient care and the sale of prescription drugs furnished as an integral part of services to patients are exempt from B&O tax for:

- Nonprofit nursing homes,
- Nonprofit kidney dialysis facilities,
- Nonprofit hospice agencies and,
- Homes for unwed mothers operated by religious or charitable organizations.

Purpose

Reduces the cost of caring for patients.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$5.100	$5.203	$5.307	$5.413
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$4.676	$5.307	$5.413
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

2 percent growth per fiscal year.

Data Sources

Department of Revenue deduction data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Organizations with operate these facilities and their patients
Taxpayer Count:	200
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2009

82.04.4291 - Services performed between local governments

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Cities and counties
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.4292 - Interest on real estate loans

Description

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

Interest includes the portion of fees charged to borrowers, including points and loan origination fees, recognized over the life of the loan as an adjustment in the taxpayer's accounting records according to generally accepted accounting principles.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$33.030	$33.961	$34.365	$35.052
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$30.883	$34.365	$35.052
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Eleven months of cash collections are assumed in Fiscal Year 2017 due to a July 1, 2016 effective date.
- A 2 percent growth rate is assumed.

Data Sources

Department of Revenue excise tax data

Additional Information

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

82.04.4293 - Interest from state and municipal obligations

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.890	$3.930	$4.010	$4.100
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$3.600	$4.010	$4.100
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Financial institutions taxable in Washington under economic nexus can deduct the interest from their government obligations.

Data Sources

- Department of Revenue excise tax return data
- Federal Financial Institutions Examination Council call report data
- Federal Deposit Insurance Corporation data
- Economic and Revenue Forecast Council's, February 2015 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Financial institutions with economic nexus in Washington that hold public bonds
Taxpayer Count:	300
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2011

82.04.4294 - Interest on agricultural loans

Description

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

- farmers;
- ranchers;
- aquatic product producers/harvesters; or
- their cooperatives.

Qualifying banks must:

- be owned exclusively by its members or borrowers and
- only make loans or provide financial-related services to:
  - farmers;
  - ranchers;
  - aquatic product producers/harvesters;
  - their cooperatives;
  - rural residents for housing; or
  - people furnishing farm-related or aquatic-related services to these individuals or entities.

Purpose

Reduce the cost of loans supporting the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$4.500	$4.500	$4.500	$4.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$3.250	$3.540	$3.540
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.4294 - Interest on agricultural loans

Assumptions

- Qualifying banks with loans in Washington totaling more than $50,000 to farmers, ranchers, aquatic product producers/harvesters or their cooperatives would have nexus and owe tax.
- Growth in the producer price index fluctuates greatly in the short term and the long term the forecasted growth is minimal. So, the interest income from qualifying loans will not grow.
- Interest on real estate loans made by qualifying banks would be exempt under RCW 82.04.4292 when the bank has branches or employees in ten or less states.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Farm Credit Administration Banks
- Annual Reports of Farm Credit Administration Banks making loans in Washington
- IHS, Inc - Global Insights Division's February 2015 forecast of the producer price index for farm products

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1970
Primary Beneficiaries:	Certain banks that make agricultural loans
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2010

82.04.4295 - Minor final assembly completed in Washington

Description

The value of a product initially manufactured outside the state may be deducted from the gross amount reported under the manufacturing B&O tax, by manufacturers in Washington, when the following criteria are met:

- Any additional processing in this state consist of minor final assembly; and
- Minor final assembly does not exceed two percent of the sales value; and
- The product is sold and shipped outside of Washington.

The amount of the deduction is equal to the value of the product prior to being brought into Washington.

Purpose

Stimulates trade and imports of products through Washington ports.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1977
Primary Beneficiaries:	Manufacturers
Taxpayer Count:	0
Program Inconsistency:	The original rationale for it is gone
JLARC Review:	JLARC completed a full review in 2012

82.04.4296 - Funeral home reimbursement

Description

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

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.029	$0.030	$0.032	$0.033
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.028	$0.032	$0.033
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- All taxpayers using this exemption are properly reporting as a deduction on their excise tax returns and not just excluding from gross income.
- Annual growth rates mirror the average growth rate over the previous six fiscal years.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue Excise Tax Data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Funeral homes
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2011

82.04.4297 - Nonprofit organization government grants

Description

Nonprofit organizations or local government entities may take a B&O tax deduction for amounts received by health or social welfare organizations as compensation from federal, state or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include:

- health care;
- family and drug counseling;
- services for the sick, elderly and handicapped;
- day care;
- vocational training and employment services;
- legal services for the indigent; and
- services for low-income homeowners or renters.

Medicare and Medicaid receipts of nonprofit and public hospitals are also deductible.

Purpose

To provide government with greater purchasing power when government provides financial support for the provision of health or social welfare services.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$96.585	$99.482	$102.467	$105.540
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$91.192	$102.467	$105.540
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Washington nonprofits reported over $57.8 billion in total revenue in Fiscal Year 2012.
- Nationwide, 21 percent of income came from contributions, gifts and government grants.
- Government grants account for half of the income from these sources, or 11.5 percent of all income.
- 3 percent growth per year.

Continued

82.04.4297 - Nonprofit organization government grants

Data Sources National Center for Charitable statistics

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit organizations that receive government grants
Taxpayer Count:	35,000
Program Inconsistency:	None
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4298 - Condominium homeowner maintenance fees

Description

Funds received by cooperative housing associations, condominium associations or residential property associations and used for repair, maintenance, management and improvement of residences and the commonly held property are deductible from B&O tax.

Purpose

To treat maintenance fees similarly to funds set aside by homeowners for similar maintenance and upkeep purposes.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$10.203	$10.313	$10.424	$10.535
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$9.454	$10.424	$10.535
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors Office of Financial management forecast of housing unit growth.
- 8.48% of the totally housing are condominium units.
- Assumes that there are 404,000 home owners that pay dues to an association, and they pay yearly.
- Condominiums pay monthly, housing associations pay yearly.
- The average Homeowner Association (HOA) yearly dues for condominiums is $2,400
- The average HOA yearly dues for Homeowner Associations is $150
- HOA fees are used for repairs, maintenance, and replacement of residential structures and commonly held property.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- United States Census Bureau American Community Survey, National Data Book
- Home Owner Association of America
- Investopedia
- Office of Financial Management
- Joint Legislative Audit & Review Committee

Continued

82.04.4298 - Condominium homeowner maintenance fees

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Cooperative housing associations, condominium associations or residential property associations
Taxpayer Count:	10,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

82.04.4311 - Medicare payments to public and nonprofit hospitals

Description

Public and nonprofit hospitals and community health centers receive a B&O tax deduction for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program under Chapter 70.47. The deduction applies whether the revenues are received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

Purpose

To recognize that the provision of health services to people who receive federal or state subsidized health benefits by reason of age, disability or income level is a necessary and vital governmental function.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$122.000	$131.000	$140.000	$150.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$120.000	$140.000	$150.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Tax base (revenue from government programs) growth of 7 percent a year.
- 95 percent of government payments to hospitals are to public or non-profit hospitals.
- 80 percent of government payments to hospitals are through managed care.
- Community health centers receive 81 percent of their revenue from government.
- Without this preference, the revenues above would be taxed at 1.5 percent.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Health

Continued

82.04.4311 - Medicare payments to public and nonprofit hospitals

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit/public hospitals and community health centers
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.432 - Municipal sewer service payments

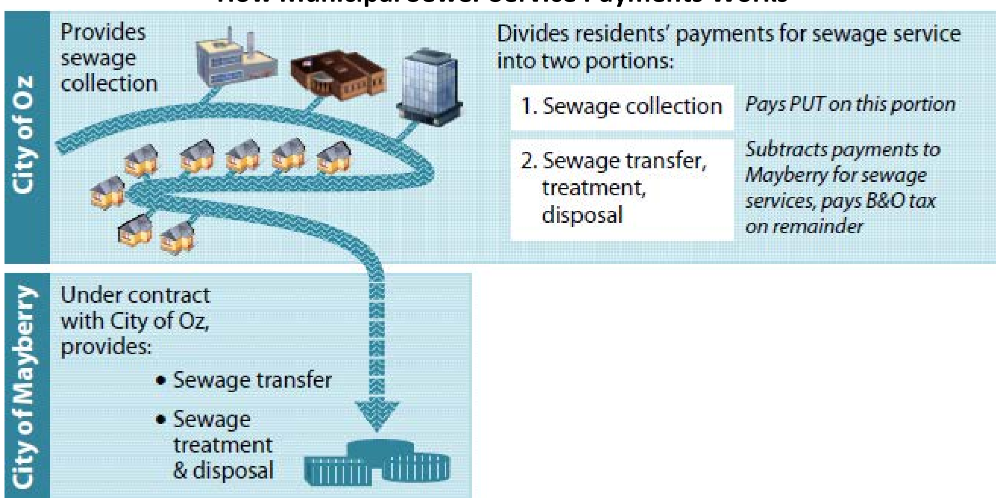
Description

City sewer utilities may deduct payments to other cities or other governmental agencies for interception, treatment or disposal of sewerage from income subject to B&O tax.

Purpose

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

How Municipal Sewer Service Payments Works



Source: JLARC analysis of RCW 82.04.432

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$2.173	$2.238	$2.305	$2.374
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$2.052	$2.305	$2.374
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.432 - Municipal sewer service payments

Assumptions

- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.
- Growth rate of 3 percent.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Washington Cities
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2011

82.04.4322 - Arts organizations - government grants

Description

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

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.820	$0.845	$0.870	$0.896
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.774	$0.870	$0.896
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 15 percent of total income is from government grants
- 3 percent growth per fiscal year
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

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

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit arts and cultural organizations
Taxpayer Count:	About 500 art organizations
Program Inconsistency:	None
JLARC Review:	No review for the grant deduction

82.04.4324 - Arts organizations - value of items manufactured

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for the value of items manufactured. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.127	$0.131	$0.135	$0.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.120	$0.135	$0.139
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- 15 percent of business income is due to manufactured items.
- 3 percent growth per year.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

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

Additional Information

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

82.04.4326 - Arts organizations - tuition program charges

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for tuition charges to programs they offer. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.656	$0.676	$0.695	$0.717
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.619	$0.695	$0.717
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Twenty-five percent of business income is from tuition program charges.
- Three percent growth per year
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

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

Additional Information

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

82.04.4327 - Arts organizations - income from business activities

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for income from business activities. The contemplated organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$2.760	$2.919	$3.080	$3.243
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$2.676	$3.080	$3.243
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Nonprofit growth will mirror B&O growth.

Data Sources

- Department of Revenue Excise Tax Data
- Economic & Revenue Forecast Council's February 2015 forecast
- Internal Revenue Service 990 data

Additional Information

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

82.04.433 - Fuel used in commercial vessels

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.112	$3.357	$3.472	$3.562
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$3.077	$3.472	$3.562
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate will mirror the Oil Price growth rate reflected in the February 2015 economic forecast.
- Eleven month cash collection impact for Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- United States Energy Information Administration
- Economic Revenue & Forecast Council February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Marine Fuel Dealers
Taxpayer Count:	30
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2013

82.04.4331 - Insurance claims for state health care coverage

Description

Insurance companies may take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

Purpose

To prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurance firms with a deduction that was available to health care contractors and health maintenance organizations.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because the state now self-insures and no commercial insurer was selected to provide the uniform health plan for state employees.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

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

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1988
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2012

82.04.4332 - Tuition fees - foreign degree-granting institutions

Description

Tuition fees received by an in-state branch of a foreign university are exempt from the B&O tax. To qualify, the university must be in compliance with RCW 28B.90, grant degrees, and be exempt from federal income tax.

Purpose

Encourage foreign universities to locate branches in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$7.000	$7.000	$7.000	$7.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$6.417	$7.000	$7.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth is expected.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- Department of Revenue excise tax data
- Washington Student Achievement Council list of degree-granting institutions that have received authorization for operation in the state

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Foreign universities approved by the Higher Education Coordinating Board
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4333 - Job training services

Description

Businesses eligible for the rural county sales tax deferral/exemption program may take a credit against the B&O tax for value of job training. The training must be designed to enhance job performance, and be in a state-approved program sponsored or provided by the employer.

The credit is limited to 20 percent of the value of the job training, and capped at $5,000 per calendar year.

Purpose

Encourage firms in rural counties to employ local residents who may need training.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on Department data, no taxpayers are currently taking this credit.
- No taxpayers will take the credit during the next four years.

Data Sources

Department of Revenue Credit Data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Manufacturing and Research & Development firms in rural counties
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Excluded from JLARC review

82.04.4337 - Medicaid payments to assisted living facilities

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.304	$1.304	$1.304	$1.304
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.195	$1.304	$1.304
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- Washington State Economic and Revenue Forecast Council February 2015 forecast
- Department of Revenue excise tax return data
- Department of Social and Health Services Client Data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities that are organized for-profit
Taxpayer Count:	9,207
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4339 - Salmon habitat restoration grants

Description

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

Purpose

To encourage restoration of salmon habitat.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.527	$0.527	$0.527	$0.527
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.483	$0.527	$0.527
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Due to fluctuations in historical growth assume zero growth in the future.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.

Data Sources

- The Salmon Recovery Funding Board, 2012 Estuary and Salmon Restoration Program Report
- The Salmon Recovery Funding Board, 2013 Salmon Recovery Grant Funding Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Nonprofit organizations restoring salmon habitat
Taxpayer Count:	52
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.43391 - Commercial aircraft loan interest and fees

Description

Interest and fees on loans secured by commercial aircraft primarily used to provide routine air service when owned by a passenger air carrier, or its affiliated or parent company, may be deducted from the B&O tax. Entities using this deduction must be physically located in Washington.

Purpose

To ensure the economic nexus provisions of 2010 legislation do not inadvertently apply to this activity and to retain the previous tax exempt provisions of such interest and loan fees.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction may possibly increase revenues in the short term. However, contracts would be rewritten to move the loan activity out of state.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This data is confidential because there are fewer than three taxpayers reporting this exemption.

Data Sources

Department of Revenue data sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Less than three taxpayers
Taxpayer Count:	Less than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2020

82.04.43392 - Dispute Resolution Services

Description

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

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.007	$0.007	$0.007	$0.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.006	$0.007	$0.007
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No growth in deduction is assumed in estimate.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2012
Primary Beneficiaries:	Dispute resolution centers
Taxpayer Count:	4
Program Inconsistency:	None
JLARC Review:	JLARC has scheduled to review in 2022

82.04.43393 - Paymaster Services for Affiliates

Description

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

A qualified employee is an employee with whom the affiliate has a functional employment relationship.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.330	$0.343	$0.356	$0.369
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

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

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.210	$0.343	$0.356
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Certain paymasters would restructure and use the PEO exemption (RCW 82.04.540(2)) or WAC 458-20-111. This estimate assumes 1 out of 3 paymasters restructure before July 1, 2016 and use the PEO exemption or WAC 458-20-111.
- All paymasters report on the combined excise tax return and use a deduction to report employee costs.
- Employee costs will grow at the same rate as wages as forecasted by the Economic and Revenue Forecast Council.
- Repeal of this deduction occurs effective July 1, 2016, impacting 11 months of collections in Fiscal Year 2016.

Data Sources

- Department of Revenue excise tax return data
- Economic and Revenue Forecast Council, February 2015 forecast

Continued

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Employers providing paymaster services to an affiliate
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC scheduled to review in 2023

82.04.43394 - Cooperative finance organizations

Description

Nonprofit cooperative finance organizations may deduct income received from loans to rural electric cooperatives or other nonprofit or governmental utility service providers from the B&O tax. This deduction expires July 1, 2017.

Purpose

Provides tax relief for customers of rural electric cooperatives.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Less than three taxpayers take this deduction; therefore, the taxpayer savings and potential revenue gains cannot be disclosed.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Cooperative finance organizations
Taxpayer Count:	Less than three taxpayers
Program Inconsistency:	None
JLARC Review:	JLARC has scheduled to review in 2016

82.04.434 - Testing and safety labs

Description

Nonprofit corporations providing public safety services and information to the state of Washington receive a B&O tax credit for these services. The state must request the services. Qualifying nonprofit corporations must:

- Not have any direct or indirect industry affiliation; and
- Not charge the state for the provided services.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit is not currently in use.

Data Sources

Department of Revenue tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2013

82.04.440(2&3) - Multiple activities tax credit - instate

Description

Businesses that engage in multiple taxable activities in Washington with respect a product may take a credit so that tax is effectively paid for only one of the activities. For example, a business that manufactures and/or extracts and also sells a product receives a credit for taxes paid on manufacturing and/or extracting activities.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and that businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$174.000	$183.000	$190.000	$196.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$168.000	$190.000	$196.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The credit grows at the rate of growth in manufacturing B&O as forecasted by the Economic and Revenue Forecast Council.
- The Legislature repeals the credit effective July 1, 2016.

Data Sources

- Department of Revenue Excise Tax Data
- Economic and Revenue Forecast Council's February 2015 Forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1987
Primary Beneficiaries:	Businesses conducting multiple activities in Washington
Taxpayer Count:	9,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.440(4) - Multiple activities tax credit - interstate

Description

Businesses may take a B&O tax credit when paying taxes more than once on the same product because they engage in multiple taxable activities within and outside of Washington. This credit is only available to businesses subject to a gross receipts tax similar to Washington's B&O tax. The credit can be up to the taxes paid to the other state.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and that businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.211	$1.272	$1.322	$1.363
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues provided the in-state multiple activities credit were also repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.166	$1.322	$1.363
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The credit grows at the rate of growth in manufacturing B&O as forecasted by the Economic and Revenue Forecast Council.
- The Legislature repeals the credit effective July 1, 2016.

Data Sources

- Department of Revenue Excise Tax Data
- Economic and Revenue Forecast Council's February 2015 Forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1985
Primary Beneficiaries:	Businesses conducting multiple activities in Washington and in other states with a gross receipts tax
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.4451 - Small business credit

Description

Qualifying businesses may take a credit against B&O tax due of up to $35 per month. The credit phases out as the B&O tax liability exceeds $35, phasing out completely when the tax due exceeds $70.

For services businesses, the monthly credit is $70. This credit phases out as the B&O tax liability exceeds $70, phasing out completely when the tax due exceeds $140.

The Department provides credit tables for use by all taxpayers, which applies the credit in $5 increments.

Purpose

To provide tax relief to small businesses and encourage the growth of new firms.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$50.000	$51.000	$53.000	$54.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$47.000	$53.000	$54.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Total credit grows 2.5 percent a year.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Small businesses
Taxpayer Count:	240,000
Program Inconsistency:	None evident
JLARC Review:	Excluded from JLARC review

82.04.44525 - International services credit

Description

International service businesses receive a $3,000 B&O tax credit for each new job they create. Eligible activities include computer, legal, accounting, engineering, architectural, advertising, financial, and other services.

Qualifying businesses must be located in a community empowerment zone (CEZ) or in a city (or a group of neighboring cities) with a population of at least 80,000 having the same characteristics as a CEZ.

Purpose

Attracts and retains businesses that create jobs and provide services to international customers.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.076	$0.080	$0.085	$0.089
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.074	$0.085	$0.089
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers using the international services credit report most if not all of their business and occupation tax under the service and other classification.
- This estimate assumes growth in the credit follows the growth in the taxable service and other activities as forecasted by the Economic and Revenue Forecast Council.
- Taxpayers use the credit reported in a calendar year equally each month.
- The Legislature repeals the credit effective July 1, 2016 impacting 11 months of cash collections in Fiscal Year 2017.

Data Sources

- Department of Revenue Excise Tax Return data
- Economic and Revenue Forecast Council's February 2015 forecast

Continued

82.04.44525 - International services credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	International Service businesses in a CEZ or an area like a CEZ
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2014

82.04.4461 - Aerospace pre-production expenditures

Description

Businesses engaged in aerospace product development are eligible for a B&O tax credit equal to 1.5 percent of qualified expenditures. Qualified expenditures include research, design and engineering costs incurred in the development of aerospace products but do not include actual production-related costs. Commercial airplane and component manufacturers are eligible for the credit on expenditures incurred after December 1, 2003. Other persons are eligible for the credit on expenditures incurred after June 30, 2008. This credit expires July 1, 2040.

Purpose

To create jobs and promote the presence of the aerospace industry in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$88.090	$94.883	$100.224	$105.805
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$86.976	$100.224	$105.805
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The growth rate used is the "industrial production index for aerospace products and parts" from the Economic and Revenue Forecast Council's February 2015 forecast.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes or components
Taxpayer Count:	76
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

Description

Manufacturers of commercial airplanes or commercial airplane components qualify for a B&O tax credit for state and local property taxes paid on land and buildings constructed after December 1, 2003, used exclusively to manufacture commercial airplanes or components. The credit is also available for leasehold excise taxes paid on land and buildings constructed after January 1, 2006 used exclusively for the same purposes.

Eligible property taxes include taxes paid on:
- new structures and the land beneath them;
- increased value due to facility renovation or expansion; and
- manufacturing machinery and equipment.

Manufacturers of tooling specifically designed for use in manufacturing commercial airplanes, persons providing aerospace product development, and persons providing aerospace services qualify for a B&O tax credit for state and local property or leasehold excise taxes paid on land and buildings constructed after June 30, 2008.

Eligible property taxes include taxes paid on:
- new structures and the land beneath them;
- increased value due to facility renovation or expansion;
- manufacturing machinery and equipment; and
- computer hardware, peripherals and software.

This credit expires July 1, 2040.

Purpose

Encourages a new assembly plant for a super-efficient aircraft to locate in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$18.575	$20.351	$21.497	$22.707
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Continued

82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$18.655	$21.497	$22.707
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Effective July 1, 2016, resulting in eleven months of collections in Fiscal Year 2017.
- The growth rate is from Global Insight.
- No explicit depreciation is incorporated since the historical series shows no net negative growth resulting from depreciation.

Data Sources

- Department of Revenue credit data
- Snohomish County Assessor's Office
- Global Insight Industrial Production Index - aerospace products and parts - February 2015

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes and components
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2014

82.04.447 - Natural gas sold to direct service industry (DSI)

Description

Direct Service Industry (DSI) customers (persons who purchase electric power directly from the Bonneville Power Administration) may take a B&O tax credit for the amount of public utility tax due on purchases of natural or manufactured gas used to generate electric power consumed by the DSI customer at its own gas turbine electrical generation facility. The tax credit may be used for 60 months following the first qualifying gas purchase and the DSI customer must maintain its existing level of employment to take the credit.

Purpose

To encourage DSI customers to continue manufacturing in Washington by constructing their own natural gas powered turbines after their BPA power contracts expire.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Assuming some businesses take the credit, repealing the exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms that purchase electric power directly from the BPA
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2015

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

Description

Businesses may take a credit of $3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials. The credit is contingent on commencement of commercial operations by a new semiconductor materials fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion dollars.

The investment criterion has not been met and is unlikely to occur during the forecast period of this study. If the credit were to become effective, it would expire 12 years after the effective date.

Purpose

To retain and attract semiconductor firms in Washington

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The incentive will not be used because the necessary facility investment will not occur during the forecast period of this study.
- Effective date of repeal is July 1, 2016.

Data Sources

Information is from Department of Revenue data sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4481 - Aluminum smelter credit for property taxes paid

Description

Direct service industrial customers may take a credit against the B&O tax for the amount of property taxes paid on aluminum smelters during a calendar year. The credit may be:

- Carried over for one year.
- Taken for property taxes paid after July 1, 2004, through calendar year 2026.

Purpose

Provide tax relief to the state's aluminum industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.
- The full amount of credit is taken in Fiscal Year 2016 for taxes levied for collection in calendar 2016.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4482 - Aluminum smelter purchases of electricity or natural gas

Description

Businesses selling electricity, natural gas, or manufactured gas are exempt from B&O tax on sales made to an aluminum smelter when the contract requires the seller to pass the tax savings on to the buyer in the form of reduced power prices. The seller takes the exemption in the form of a tax credit. Because most sellers of power are subject to public utility tax and not B&O, this tax incentive applies principally to sellers of brokered natural gas.

Purpose

Preserve family-wage jobs in rural communities where unemployment rates are high, and sustain the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Based on Department data, no taxpayers are currently taking this credit.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.4483 - Programming or manufacturing software in rural counties

Description

Businesses engaged in manufacturing computer software, or computer programming in a rural county were eligible for a B&O tax credit of $1,000 for each new job created. This credit expired on January 1, 2011.

Purpose

To encourage employment and economic development in rural counties.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. No credits have been allowed since 2010.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit expired January 1, 2011.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Not available
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4485 - Hospital patient lifting devices

Description

Hospitals may take a credit against their business and occupation taxes equal to the amount spent on patient lifting devices up to $1,000 per qualifying bed. Eligible purchases must have been made by December 30, 2010.

Purpose

To prevent undue financial burden after requiring each hospital to establish a program for the safe lifting of patients.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Tax reporting data indicate that no credit has been claimed since the first quarter of 2011. This most likely means that hospitals have used all of their eligible credits.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit has not been claimed since Fiscal Year 2011, and will not be claimed in the future.

Data Sources

Department of Revenue tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	None, no one is claiming the credit
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

82.04.4486 - Tax paid on carbonated beverage syrup

Description

Persons that pay the syrup tax when buying carbonated beverage syrup may claim a B&O tax credit if the person:

- Uses the syrup to make carbonated drinks, and
- Sells the carbonated drinks.

The carbonated beverage syrup tax is $1.00 per gallon. The tax applies to syrup used in producing carbonated beverages that are not trademarked canned or bottled beverages.

Purpose

To provide tax relief for persons that mix carbonated beverages on-site.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$5.178	$5.231	$5.284	$5.337
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$4.795	$5.284	$5.337
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Taxpayers that pay carbonated beverage syrup tax have sufficient B&O tax liability to utilize the full amount of the syrup tax paid.
- There are eleven months of collections in Fiscal Year 2017 because the effective date is July 1, 2016.
- Growth in revenues based on the previous five years of B&O tax credits for carbonated beverage tax paid.

Data Sources

Department Excise Tax Data

Continued

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that prepare and sell carbonated beverages for consumption on-premises and firms that manufacture non-trademarked beverages.
Taxpayer Count:	2,400
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.4489 - Motion Picture Program contributions

Description

Businesses making contributions to the Washington motion picture competitiveness program may take a B&O tax credit equal to 100 percent of the contributions, with an annual cap of $1 million for each contributor. The total, statewide credit cap is $3.5 million a year. No credit may be earned for contributions made after June 30, 2017.

Purpose

To support the motion picture industry and encourage production of motion pictures, television programs and commercials in this state.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.500	$3.500	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$3.500	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The annual statewide credit cap was reached each year during the existence of this credit, so assumes the annual statewide credit cap will continue to be met.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Motion picture companies
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.04.449 - Workforce training costs

Description

A B&O tax credit is allowed for half of the costs of customized workforce training paid by employers to the State Board for Community Colleges. No credit is allowed after June 30, 2021.

Purpose

Facilitates training of new employees for new or expanding businesses.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.064	$0.064	$0.064	$0.064
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.059	$0.064	$0.064
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- While employers increased the amount of credit taken after the recession, the credit's usage appears to have returned to non-recovery period amounts.
- This estimate assumes no growth in the credit amount taken.
- The Legislature repeals this credit effective July 1, 2016 impacting 11 months of cash collections in Fiscal Year 2017.

Data Sources

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council, February 2015 Forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Certain employers for customized training
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	JLARC scheduled to review in 2017

82.04.540(2) - Professional employer organization wages

Description

A professional employer organization (PEO) may deduct the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, and similar items paid to or on behalf of certain employees who are co-employed by the PEO and a client of the PEO.

Purpose

Excludes pass-through payroll expenses from B&O tax.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3.220	$3.430	$3.520	$3.640
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction could increase revenues; however, if the PEO can show wages and benefits are advances or reimbursements under WAC 458-20-111 then those amounts would not be subject to B&O tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.050	$1.170	$1.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The PEO deduction has several criteria for being able to use the deduction, this estimate assumes those taxpayers utilizing the PEO deduction meet all of the criteria.
- Certain types of PEOs would restructure and use the paymaster deduction (RCW 82.04.43393) or WAC 458-20-111. This estimate assumes 2 out of 3 PEOS restructure before July 1, 2016 and use the paymaster deduction or WAC 458-20-111.
- The Legislature repeals this deduction effective July 1, 2016 impacting 11 months of collections in Fiscal Year 2017.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2006
Primary Beneficiaries:	Professional Employment Organizations
Taxpayer Count:	45
Program Inconsistency:	None evident
JLARC Review:	JLARC scheduled to review in 2016

82.04.600 - Printing by libraries

Description

Provides an exemption from B&O tax for printing done by libraries where:

- Material is printed in library facility
- Printing is used exclusively for library purposes.

This exemption also includes counties, cities, towns, school districts and educational service districts which are also exempt under other statutes (RCWs 82.04.395 and 82.04.397). The impact is for libraries only.

Purpose

Reflects the legislative policy of not taxing nonproprietary activities of public entities.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.005	$0.005	$0.005	$0.005
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.005	$0.005	$0.005
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Eleven months collections in FY 2017 based on July 1, 2016 effective date.

Data Sources

Institute of Museum and Library Services - Public Libraries in the US Survey FY 2012

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1979
Primary Beneficiaries:	Libraries and library districts
Taxpayer Count:	61
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2011

82.04.601 - Cigarette stamping

Description

Reimbursement wholesalers and retailers receive from the state for affixing tax stamps on packages of cigarettes is exempt from B&O tax.

Purpose

Historically, cigarette wholesalers and retailers did not pay tax on such reimbursement. This exemption codified pre-existing practices.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.004	$0.004	$0.004	$0.004
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.004	$0.004	$0.004
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Average annual stamping compensation of both regular and roll-your-own cigarettes total $800,000.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Cigarette wholesalers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2018

82.04.610 - Interstate commerce - import and export shipments

Description

The sale of tangible personal property in import or export commerce receives an exemption from B&O tax.

The import exemption does not include items:

- Used in any state or territory of the United States;
- Resold by the importer in any state or territory of the United States; or
- Processed, handled, or stopped during transit for a business purpose.

The export exemption applies to items the seller delivers to a:

- Buyer in a foreign country;
- Carrier consigned to transport the item to a foreign country;
- Buyer at shipside if it is clear that the export process has commenced, or
- Buyer in this state if the seller files an export declaration and the buyer immediately transports the item to a foreign country (except for motor vehicles).

Purpose

Codifies the Department's interpretation of imports and exports in the stream of commerce, as reflected in WAC 458-20-193C.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$62.480	$64.350	$66.280	$68.270
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, a repeal of this exemption and WAC 458-20-193C would likely result in litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$7.668	$17.233	$26.625
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.610 - Interstate commerce - import and export shipments

Assumptions

- Wholesalers in selected NAICS codes that have a greater chance of importing or exporting were selected as a proxy for this analysis.
- Selected NAICS includes wholesalers of: vehicles, lumber products, photographic equipment, computer equipment, computer peripherals, electronic equipment, and fish or seafood.
- Employment Security data and Department tax return data were combined to estimate the exempted importing activity.
- Due to the volatility found from year to year in imports, this estimate assumes three percent growth into the future.
- This estimate assumes taxpayers that can, will move their delivery destination in order to keep their products in the federal stream of commerce and therefore a low level of compliance is assumed.
- Compliance:
  - 13 percent revenue collections in Fiscal Year 2017,
  - 26 percent revenue collections in Fiscal Year 2018,
  - 39 percent revenue collections in Fiscal Year 2019, and
  - 52 percent revenue collections in Fiscal Year 2020 and thereafter.
- An effective date of July 1, 2016, results in 11 months of cash collections for Fiscal Year 2017.

Data Sources

- Employment Security data
- Department of Revenue data
- Federal business tax return statistics

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Firms that ship products across Washington's boundaries
Taxpayer Count:	1,600
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2018

82.04.615 - Public development authorities

Description

Public corporations, commissions and authorities receive an exemption from B&O tax for income from services provided to:

- limited liability companies in which the public entity is the managing member;
- limited partnerships in which the public entity is the general partner; or
- single-asset entities required by a federal, state or local housing assistance program which is directly or indirectly controlled by the public entity.

Purpose

Assists housing authorities that receive federal grants for low-income housing.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.028	$0.030	$0.031	$0.033
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.027	$0.031	$0.033
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Economic & Revenue Forecast Council's February 2015 forecast.
- Eleven months of cash collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

- Capitol Hill Housing Improvement Program
- Pike Place Market Preservation Development Authority
- Economic & Revenue Forecast Council, February 2015 Forecast

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Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public Development Authroities
Taxpayer Count:	Less than 10
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2018

82.04.620 - Prescription drug administration

Description

Physicians or clinics may deduct amounts received for the infusion or injection of drugs for human use pursuant to a prescription from the B&O tax. The deduction may not exceed the current federal reimbursement rate under Medicare. The injection must be covered or required under a health care program subsidized by the federal or state government.

Purpose

To improve patient care by encouraging physicians to administer drugs in their own facilities, rather than referring their patients to a hospital where the wait time and cost of care may be greater.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.400	$1.400	$1.400	$1.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.300	$1.400	$1.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Average annual revenue from this business activity is $94 million.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Doctors, clinics and their patients
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.04.625 - Custom farm and farm management services

Description

Providers of custom farming services and farm management services are exempt from B&O tax if the provider performing the services is the owner or lessor of the land, or related to the owner or lessor. This exemption expires December 31, 2020.

Purpose

To provide tax relief to persons performing custom farm services for their relatives.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.
- No growth over time.
- July 1, 2016 effective date, with 11 months collections in Fiscal Year 2017.

Data Sources

- United States Agriculture census data, 2012
- Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Persons that provide custom farm services for their relatives
Taxpayer Count:	Fewer than three
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2015

82.04.627 - Commercial airplane parts

Description

The sale of parts to the manufacturer of a commercial airplane is deemed to take place at the site of final testing or inspection under federal aviation regulation part 21 subpart F or G.

The practical effect of this statute is that parts sold by Washington sellers for delivery to out of state locales are exempt from the state B&O tax so long as these criteria are met.

Purpose

To give incentives to commercial airplane manufacturers to locate and produce products in Washington.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This data is confidential because there are fewer than three taxpayers reporting this exemption.

Data Sources

Department of Revenue Data Sources

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Manufacturers of commercial airplane components
Taxpayer Count:	Less than three taxpayers
Program Inconsistency:	None Evident
JLARC Review:	JLARC completed a full review in 2014

82.04.629 - Honey bee products

Description

Eligible apiarists are exempt from the B&O tax for the wholesale sale of honey bee products. This exemption expires July 1, 2017.

Purpose

To provide temporary business and occupation tax relief for Washington's apiarists to counter the negative economic impact on the state's agricultural sector caused by colony collapse disorder and resulting loss of bee hives occurring when the bill was enacted in 2008.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.006	$0.006	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.006	$0.001	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Continued

82.04.629 - Honey bee products

Assumptions

- Apiarists who own or keep one or more bee colonies register their hives with Washington State Department of Agriculture and grows or produces honey bee products for sale at wholesale.
- In Fiscal Year 2013 apiarists reported $1.6 million gross revenues on the wholesaling line (line 03), of which about $355,000 was taxable. It is assumed the difference is the amount of wholesale sales by bee brokers that are exempt, $1.2 million.
- In Fiscal Year 2014 apiarists reported $1.6 million gross revenues on the wholesaling line (line 03), of which about $575,000 was taxable. It is assumed the difference is the amount of wholesale sales by bee brokers that are exempt, $1.0 million.
- Bee keeping is a small, specialized industry so it is assumed that there is no growth over time for this estimate.
- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- This exemption expires July 1, 2017, with 1 month of collections in Fiscal Year 2018.

Data Sources

- Department of Revenue Excise Tax Return data - Line 03 (Wholesaling).
- Washington State Department of Agriculture data - bee keeper list

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2008
Primary Beneficiaries:	Eligible apiarists that sell honey bee products at wholesale
Taxpayer Count:	30
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2011

82.04.630 - Pollination services by apiarists

Description

Eligible apiarists are exempt from the B&O tax on income received for providing bee pollination services to qualified farmers. The apiarists must provide the pollination services using bee colonies that the apiarists own or keep. This exemption expires July 1, 2017.

Purpose

To provide temporary business and occupation tax relief for Washington's apiarists to counter the negative economic impact on the state's agricultural sector caused by colony collapse disorder and resulting loss of bee hives occurring when the bill was enacted in 2008.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.008	$0.008	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.007	$0.001	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- An apiarist who owns or keeps one or more bee colonies, registers their hives with Washington State Department of Agriculture and grows or produces honey bee products for sale at wholesale.
- In Fiscal Year 2013 apiarists reported over $1 million gross revenues on the B&O Tax service line, of which about $788,000 was taxable.
- In Fiscal Year 2014 apiarists reported $2.9 million gross revenues on the B&O Tax service line, of which about $2.2 million was taxable.
- Assumes the difference is the exempt amount for pollination services performed by bee brokers.
- July 1, 2016 effective date, with 11 months collections in Fiscal Year 2017.
- July 1, 2017 expiration date, with 1 month of collections in Fiscal Year 2018.

Data Sources

- Department of Revenue excise tax data
- Washington State Department of Agriculture list of registered apiarists
- A number of bee websites

Continued

82.04.630 - Pollination services by apiarists

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2008
Primary Beneficiaries:	Apiarists that provide pollination services
Taxpayer Count:	20
Program Inconsistency:	None
JLARC Review:	JLARC completed an expedited review in 2011

82.04.635 - Legal services to low-income persons

Description

Income received by nonprofit organizations for providing legal services to low-income persons is exempt from B&O tax. The nonprofit must primarily be engaged in the provision of legal services to low-income individuals. Nonprofits are persons exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal internal revenue code.

Purpose

Testimony on this exemption indicates funding levels had decreased and the exemption would allow nonprofits to increase their level of service with little impact to state funds in light of increasing demand for services

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.500	$0.506	$0.511	$0.517
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.464	$0.511	$0.517
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Growth rate mirrors the B&O growth rate reflected in the Department data for Law Firms.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2009
Primary Beneficiaries:	Law firms providing legal services to low-income persons
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

82.04.640 - Vaccine Association assessments

Description

The Washington Vaccine Association collects funds from health care insurers and third-party administrators for the cost of vaccines provided to children. Funds received by the Association are exempt from B&O tax.

Purpose

To improve the health of children.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Only one entity benefits from this exemption and therefore the impact cannot be disclosed

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	The Association and indirectly, children of the state
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2013

82.04.645 - Financial institution affiliate income

Description

Financial institutions receive an exemption from B&O tax on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B).

Purpose

Encourages affiliate transactions involving banks.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	Unknown	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues; however not all affiliate transactions would be taxable at full market value.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	Unknown	Unknown	Unknown
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Information on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B) do not appear on state excise tax returns or financial institution federal reports.

Data Sources

- Instructions and form for Consolidated Report of Condition and Income reports
- Department of Revenue, Intercompany Transactions Report, 2012

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Banks with subsidiaries and/or affiliates
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC scheduled to review in 2020

82.04.650 - Financial institution investment conduit or securitization entity income

Description

Investment conduits and securitization entities receive a B&O tax exemption for cash and securities.

Purpose

Avoids taxing the same revenue more than one time and clarifies that the activities of investment conduits and securitization entities are not subject to taxation.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$14.000	$14.000	$14.000	$14.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$12.833	$14.000	$14.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Effective July 1, 2016 resulting in 11 months increased collections in Fiscal Year 2017.
- The use of these financial vehicles has recovered from the financial problems of the previous decade, but the there appears to be little to no growth at present.

Data Sources

- Securities information from the Securities Industry and Financial Markets Association (SIFMA).
- Financial sector contributions to gross domestic product, GDP, from the Bureau of Economic Analysis
- Mortgage rates are from the Federal Home Loan Mortgage Corporation

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Real estate lenders and their customers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2020

82.04.655 - Joint municipal utility authority

Description

Joint municipal utility services authorities are exempt from the B&O tax on any payments between, or any transfer of assets to or from, another joint municipality utility service authority and any of its members.

Purpose

Reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.

Data Sources

Department of Revenue data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Joint municipal utility servicess authorities
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None
JLARC Review:	Not on JLARC review schedule

82.04.750 - Restaurant employee meals

Description

Meals provided to employees of restaurants without specific charge to the employees are exempt from B&O tax.

Purpose

To allow restaurant owners to provide meals to their employees without charge and without having to report B&O tax on the equivalent amount of income.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.199	$0.210	$0.221	$0.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.025	$0.029	$0.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017.
- Compliance of 13 percent revenue collections in all fiscal years.

Data Sources

- United States Bureau of Labor Statistics. May 2013 State Occupational Employment and Wage Estimates
- Washington, Food Preparation and Serving Related Occupations, Occupation code 35-0000
- Washington State Economic and Revenue Forecast Council February 2015 forecast. Department of Revenue excise tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	32,897
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2021

82.32.045(4) - Minimum to file excise tax return

Description

Firms whose gross income is less than $28,000 annually ($46,667 for service firms) are not required to file excise tax returns. The provision does not apply to businesses that collect and remit retail sales tax or any other tax or fee which the Department is authorized to collect.

Purpose

To reduce administrative costs for taxpayers and the Department of Revenue.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. In its absence, taxpayers would have to file returns but still would have no B&O tax liability due to the small business credit.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The tax savings of this tax preference are included under the impacts of the small business credit (RCW 82.04.4451).

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Smallest businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited review in 2015

82.32.055 - Active duty military interest and penalty waiver

Description

Business owners in the military may request a waiver of interest and penalties for late payment of excise taxes if they are:

- on active duty,
- in an armed conflict, and
- assigned to a location outside of the United States.

Purpose

Provides economic relief to families of active duty service members.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	D	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	D	D	D
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Fewer than three taxpayers benefit from this exemption, so the revenue impact may not be disclosed.

Data Sources

Department of Revenue data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Active duty military personnel that own businesses
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2019

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Description

A B&O tax credit is available for each new employment position created by a businesses located in a rural county engaged in the following activities:

- manufacturing;
- computer-related programming and services performed by a manufacturer;
- research and development;
- commercial testing laboratories.

A rural county has an average population density of fewer than 100 persons per square mile or is smaller than 225 square miles.

The credit is equal to:
- $2,000 for each new qualified employment position with wages and benefits below $40,000, or
- $4,000 for each new qualified employment position with wages and benefits above $40,000.

The total statewide credit cap is $7.5 million per fiscal year.

Purpose

Encourages businesses to expand in rural counties.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.500	$1.500	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.375	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.
- Estimate of future revenue impacts are based on credits actually used rather than credits approved.

Continued

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Data Sources

Department of Revenue tax return data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Manufacturing, R&D, and computer service firms in rural areas
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or public utility tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure,
- Limited to $60 per employee per year, and
- Limited to $100,000 each fiscal year.

The program has an annual cap of $2.75 million for both B&O and public utility tax credits, and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

Purpose

An incentive for employers to make financial incentives available to their employees to encourage car-pooling and reduction of air pollution, traffic congestion, and fuel consumption.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$2.657	$2.657	$2.657	$2.657
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$2.435	$2.657	$2.657
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The maximum total program credit allowed per year is $2,750,000 combined between the business and occupation and public utility taxes.
- The maximum combined program amount allowed per year will be reached.
- This estimate is for the business and occupation tax portion only.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Department of Revenue credit data

Continued

82.70.020 - Commute trip reduction credit

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting options to employees
Taxpayer Count:	650
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2012

82.73.030 - Commercial area revitalization contributions

Description

Subject to limitations, approved contributions made to a program or the main street trust fund are eligible for a partial B&O tax credit or public utility tax credit.

The credit is either:

- 75 percent of the approved contributions made to a program, or
- 50 percent of the approved contributions to the main street trust fund.

The total amount of these credits statewide cannot exceed $1.5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.400	$1.400	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$1.280	$1.500	$1.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Use of the program has grown in the last couple years, and as the economy continues to improve, investment in local projects are expected to increase.
- In Fiscal Year 2013, 310 businesses claimed about $1.1 million in B&O tax credits and 6 businesses claimed about $156,000 in PUT credits compared to total credits of $675,000 in previous years.
- The $1.5 million cap per year has not been reached, but is assumed to do so by Fiscal Year 2018.
- Claims for the program have doubled in the last two years.
- Annual growth in total credit amounts of 4 percent per year until credit cap is reached.
- An effective date of July 1, 2016 which results in 11 months of cash collections for Fiscal Year 2017.
- This estimate reflects the B&O credits.

Continued

82.73.030 - Commercial area revitalization contributions

Data Sources Department of Revenue credit data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses that choose to participate commercial area revitalization
Taxpayer Count:	310
Program Inconsistency:	None
JLARC Review:	JLARC has scheduled to review in 2016