

# **COMPARATIVE STATE/LOCAL TAXES**

## **Fiscal Year 2007**

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# COMPARATIVE TAXES 2007

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## INTRODUCTION

Taxpayers and government officials have shown considerable interest in Washington's relative tax position among the states. In order to properly compare tax burdens, uniform and reliable data must be used. The best source of comparative tax information for all state and local governments is compiled annually by the Census Bureau of the U.S. Department of Commerce. The figures covering Fiscal Year 2006-2007 were posted to the Census Bureau web site late in September 2009. The specific data appear under the field of Government, the category of Finance, and the subcategory of State and Local Government Finances.

For Fiscal Year 2007, taxes in Washington State equaled \$27.5 billion (\$27,533,038,000). This figure includes all state and local taxes, according to the definitions used by the Census Bureau. The majority of Washington's taxes – \$17.7 billion – went to state government, while \$9.8 billion was attributable to local jurisdictions.

Taxes are defined to include compulsory payments which are not related to particular governmental services; that is, tax liability is independent from the benefit taxpayers receive from government operations. Instead, taxes are determined by other measures such as income, purchases, and property values. However, license fees are included by the Bureau in the tax collection data, even though these receipts are associated with specific rights or privileges. Tax revenues are the source of funding for general programs over which legislatures typically have the most discretion in terms of spending, since nontax revenue sources are often dedicated to specific programs.

Examples of revenues excluded from the tax category are sales of commodities and services directly benefiting individuals (e.g., utility charges, tuitions, and fees). Also, enterprise revenues from liquor sales and utility operations are omitted. Required payments for unemployment and workmen's compensation programs are other significant exclusions; these are not considered general tax revenues because they are earmarked to provide assistance to employees who are laid off from work or injured while on the job.

Tax burdens can be measured in several ways. Each approach has its own merits and is suited to a particular purpose. The two primary methods used in this report are the amount of taxes in relation to population and in relation to personal income.

### PER CAPITA TAXES

A first step often taken in measuring relative tax burdens is to divide total state and local tax collections for each state by its population. For the Fiscal Year 2007 calculations, this report uses the July 1, 2007, Census Bureau population estimates for each state. This results in a state and local tax amount of \$4,269 for each Washington resident and gives Washington a ranking among the 50 states of 15th for Fiscal Year 2007 (Table 6). Washington per capita taxes were slightly above the national average of \$4,234. Chart 2 portrays the change in per capita state and local taxes since 1975 for Washington and the average for all states.

A per capita tax comparison is far from complete, however, because differences in the level of income among the states greatly influence their capability to finance the cost of government

services. Furthermore, the per capita approach assumes that all citizens are identical for purposes of computing the "average" tax burden. In addition to income many other factors, including age, family size, and consumption preferences for housing and other taxable items, are significant in determining the tax burden for any particular individual or family. Also, tax collections include taxes initially paid by businesses, so the per capita amount does not correspond to what the "average" individual would pay in direct state and local taxes.

## **TAXES PER \$1,000 PERSONAL INCOME**

For another measure of tax burden, one which considers the relative ability of states to finance the cost of government, the total state and local taxes may be divided by total state personal income - a statistic representing the "wealth" of all residents living in each state. For purposes of this report, the latest personal income data for calendar year 2006 (when Fiscal Year 2007 began) compiled by the U.S. Bureau of Economic Analysis is used. A major revision of the personal income estimates was released by BEA on October 16, 2009. The calendar year 2006 total for Washington is \$252.0 billion.

This computation produces a Fiscal Year 2007 Washington state and local tax burden of \$109.25 for each \$1,000 of personal income (Table 1). Stated another way, Washington state and local taxes equaled about 10.9 percent of personal income in Fiscal Year 2007. By this measure Washington ranks 26th in the nation and 8th among the 13 western states. Although the dollar amount of Washington's tax burden dropped by \$2.74, the ranking of 26th actually rose by two places above the prior year.

Washington's average tax burden remains well below the national average - \$109.25 compared with the national average of \$113.32. The reason that Washington ranks higher in per capita taxes than for taxes in relationship to personal income is that Washington enjoys relatively high per capita personal income (see Table 5). Chart 1 illustrates the trend in state and local taxes per \$1,000 of personal income since 1975 for Washington and the national average.

## **STATE TAXES VS. LOCAL TAXES**

Both of the above tax comparison methods include state and local government taxes, since most taxpayers are concerned with their total tax burden. (Federal taxes are assumed to apply uniformly throughout the country and, therefore, are not significant in explaining differences in tax burden among the states.) Another comparison that is sometimes made is to look at only state or local taxes. Washington has traditionally ranked high in state taxes but low in local taxes. For Fiscal Year 2007 Washington state taxes per \$1,000 of income are ranked 24th, while Washington local taxes are ranked 29th (Table 3). On the per capita basis, Washington state taxes are ranked 14th and local taxes are in 24th place (Table 8).

The explanation for these differences is provided in Table 11 which indicates that nearly 65 percent of Washington's state and local tax dollar is collected at the state level while only 35 percent is attributable to local taxes. This is in contrast to many other states in which the relative share of state and local taxes is more evenly balanced. In fact, in four states local tax collections exceed the amount received by the state. Washington collects a greater share of total state and local taxes at the state level for several reasons: limitations have been placed upon the revenue producing ability of

the local property tax; Washington funds public education and certain other programs to a larger degree by state tax sources than many states; and local taxing authority is controlled by state law, and new local tax sources must be authorized by the Legislature.

## **ANALYSIS OF TAX BURDEN**

Both the per capita and the personal income approach are based on total state and local tax collections obtained by survey of governmental jurisdictions by the Census Bureau. Taxes include amounts paid by individuals as well as businesses, but there is no accurate way of classifying tax burdens by type of taxpayer for most tax sources. For example, in Washington it is estimated that households pay about 60 percent of total sales tax collections, with the remainder paid by businesses (supplies, nonmanufacturing machinery, construction, etc.), government, and tourists. But the exact amounts are not known because vendors do not record the type of purchaser who pays the tax. Similarly, the actual burden of the property tax and other major taxes by taxpayer type is not precisely known in this or other states.

Further, the initial tax burdens may be shifted to other entities. Business taxes are particularly susceptible to shifting, either forward to consumers (increased prices) or backward to owners (reduced earnings) and workers (lower wages). Tax burdens may also be shifted to persons in other states. For example, Alaska typically has a very high tax burden due to its petroleum tax revenues. However, consumers in many other states pay a portion of this tax, which is included in the price of oil delivered via Alaska's pipeline. Unfortunately, there is no adequate way of estimating such shifts of tax burden. Some studies attempt to do so, but they require significant resources to model tax impacts, and the results are no better than the underlying assumptions.

Many state and local taxes in Washington are based on consumption expenditures. Thus, revenues are dependent upon price changes, and inflation can have a direct influence upon collections. Population growth is also a major factor, but the rate of increase in tax collections typically exceeds the rate of population growth. Therefore, per capita taxes usually increase from year to year, and Fiscal Year 2007 was no exception.

Two factors influence the tax burden calculation in relation to income: the amount of state/local tax collections and the rate of growth in state personal income. Often the income statistic, which is the denominator of the calculation, is a more significant variable than the tax figure, which tends to fluctuate less dramatically. As noted above, the state's tax burden ranking is dependent upon not only changes in Washington, but also in the other states.

In the 1960s state and local tax burdens of about \$115 per \$1,000 of personal income were typical for Washington, and the state usually ranked about 18th among all states. The economic downturn, which occurred around 1970, caused some reduction in the growth rate of tax collections. However, the fall-off in personal income was even greater. The relatively smaller income caused the tax burden calculation to rise to as high as \$128 in 1972 and 1973. Rankings ranged from as high as 17th to as low as 25th during this period.

Later in the 1970s growth in consumer expenditures exceeded the rate of income growth due to strong demand for housing and durable goods. Such purchases are often financed from savings

or by borrowing rather than current income; thus short-term tax elasticity was very high. The result was a very high tax burden, reaching \$127 in 1978.

During the recession of 1981-82, the percentage of personal income devoted to taxable retail purchases - a major driver of Washington tax revenues - dropped from over 70 percent to less than 60 percent in just two years. Also contributing to the reduction in Washington tax revenues was the exemption of food from sales tax in 1978, limitation of local special school levies, extension of the 106 percent limit on property taxes to the state levy, and repeal of the state's inheritance tax. Somewhat ironically, personal income remained rather high during most of this period, at least compared with many other states. The high level of income, coupled with the reduced tax collections, produced a precipitous drop in the tax burden for this state to \$100 in 1981 and the lowest-ever ranking of 39th.

Later in the 1980s Washington's tax burden returned to the level of about \$115, and rankings of about 16th were common. In the 1990s Washington's tax burden by the income measure declined steadily from \$123 in 1995 to \$100.90 in 2002, and the state's ranking dropped from 11th to 32nd. The Fiscal Year 2005 tax burden ranking of 37th was the second lowest since the tax comparisons have been compiled. In the latest two years, the rankings have crept upward a bit but remain relatively low compared with historical levels for this state.

The latest state/local tax figures used for this report cover the fiscal year which ended on June 30, 2007 - well before the onset of the current economic recession. Next year's figures for Fiscal Year 2008 will come closer to reflecting the current economic situation, but they, too, are prior to the real crunch in state revenues which occurred starting in the fall of 2008. We already know that Fiscal Year 2009 receipts of state taxes in Washington were 8.0 percent lower than Fiscal Year 2008 - by far the largest year-to-year drop in collections on record in this state. Nearly all other states are experiencing comparable declines in revenues. Thus, it is impossible to predict what Washington's comparative tax rankings might be by the time the data reflect current economic conditions.

**Table 1. State and Local Tax Collections Per \$1,000 Personal Income  
Fiscal Years 2003 - 2007**

State	Amount					Rank				
	2003*	2004	2005	2006	2007	2003*	2004	2005	2006	2007
Alaska	NA	\$110.93	\$132.40	\$150.98	\$188.17	NA	19	5	3	1
New York	NA	146.76	149.70	156.52	157.36	NA	1	2	2	2
Wyoming	NA	138.58	150.76	165.92	141.71	NA	2	1	1	3
Hawaii	NA	126.25	134.30	140.00	133.64	NA	4	3	6	4
Vermont	NA	122.50	131.91	135.30	130.97	NA	5	6	7	5
Maine	NA	133.65	133.04	142.94	127.06	NA	3	4	4	6
New Mexico	NA	116.38	119.69	129.17	125.83	NA	9	10	8	7
New Jersey	NA	115.55	117.19	125.34	124.91	NA	11	15	9	8
Louisiana	NA	112.44	117.44	140.46	122.76	NA	15	14	5	9
North Dakota	NA	104.17	114.62	116.82	121.86	NA	37	18	21	10
Ohio	NA	114.34	118.31	118.16	117.88	NA	12	12	17	11
Rhode Island	NA	120.35	122.68	121.91	117.74	NA	7	7	12	12
West Virginia	NA	111.93	121.14	122.83	117.55	NA	17	9	10	13
Wisconsin	NA	121.83	121.28	122.60	117.52	NA	6	8	11	14
California	NA	113.06	115.62	121.45	115.63	NA	14	16	13	15
Kansas	NA	114.23	109.75	116.55	115.21	NA	13	28	22	16
Minnesota	NA	112.02	113.76	118.05	114.99	NA	16	21	19	17
Connecticut	NA	115.71	119.17	118.89	114.74	NA	10	11	15	18
Utah	NA	109.81	115.06	118.13	113.64	NA	21	17	18	19
Nebraska	NA	118.04	117.97	119.19	113.53	NA	8	13	14	20
Pennsylvania	NA	108.75	111.27	113.58	113.02	NA	22	25	25	21
Arizona	NA	108.64	111.69	110.25	112.75	NA	23	24	33	22
Michigan	NA	105.18	110.21	108.99	110.81	NA	33	27	37	23
Arkansas	NA	105.14	113.67	116.91	110.65	NA	34	22	20	24
Delaware	NA	108.41	111.85	116.09	109.85	NA	24	23	23	25
WASHINGTON	NA	106.27	105.91	111.99	109.25	NA	29	37	28	26
Illinois	NA	105.83	111.09	112.35	109.04	NA	30	26	27	27
North Carolina	NA	106.60	108.25	112.59	108.96	NA	28	32	26	28
Iowa	NA	107.30	106.38	110.04	108.85	NA	26	35	34	29
Kentucky	NA	107.27	109.60	114.51	108.32	NA	27	29	24	30
Mississippi	NA	105.74	107.86	110.65	107.62	NA	32	33	31	31
Montana	NA	101.19	105.57	110.58	107.41	NA	41	38	32	32
Maryland	NA	108.25	108.34	111.08	107.07	NA	25	31	30	33
Nevada	NA	111.33	113.97	108.23	106.77	NA	18	19	38	34
Georgia	NA	102.32	103.83	109.21	106.28	NA	39	40	36	35
Florida	NA	105.06	105.95	108.06	105.70	NA	35	36	40	36
Massachusetts	NA	105.77	107.31	109.26	105.32	NA	31	34	35	37
Idaho	NA	109.82	109.41	111.58	102.99	NA	20	30	29	38
South Carolina	NA	103.77	103.85	102.76	102.86	NA	38	39	43	39
Virginia	NA	99.56	103.69	104.75	102.59	NA	43	41	42	40
Indiana	NA	104.37	113.78	118.70	102.01	NA	36	20	16	41
Oklahoma	NA	101.35	100.70	105.74	100.63	NA	40	42	41	42
Oregon	NA	100.82	99.77	108.13	100.03	NA	42	45	39	43
Texas	NA	99.46	100.12	99.70	99.53	NA	44	44	45	44
Missouri	NA	97.31	100.40	100.68	96.61	NA	45	43	44	45
Colorado	NA	92.86	95.22	98.01	95.85	NA	46	46	46	46
Alabama	NA	88.89	92.27	95.97	93.17	NA	50	47	47	47
Tennessee	NA	89.97	91.68	93.38	92.32	NA	49	48	48	48
South Dakota	NA	90.60	87.46	91.03	90.04	NA	48	50	50	49
New Hampshire	NA	91.61	91.43	92.30	88.38	NA	47	49	49	50
U.S. Average	NA	\$110.33	\$112.84	\$116.22	\$113.32					

\* Local tax collection data for fiscal year 2003 not compiled by the U.S. Census Bureau.

**Table 2**  
**State & Local Tax Collections Per \$1,000 Personal Income**  
**Thirteen Western States - Fiscal Year 2007**

State	Amount	National Rank	Western Rank
Alaska	\$188.17	1	1
Wyoming	141.71	3	2
Hawaii	133.64	4	3
New Mexico	125.83	7	4
California	115.63	15	5
Utah	113.64	19	6
Arizona	112.75	22	7
WASHINGTON	109.25	26	8
Montana	107.41	32	9
Nevada	106.77	34	10
Idaho	102.99	38	11
Oregon	100.03	43	12
Colorado	95.85	46	13



**Table 3. Washington Taxes Per \$1,000 Personal Income  
State, Local and Total Taxes for Past Ten Years**

Fiscal Year	<u>State Taxes</u>		<u>Local Taxes</u>		<u>Combined Total</u>	
	Amount	Rank	Amount	Rank	Amount	Rank
2007	\$70.20	24	\$39.05	29	\$109.25	26
2006	73.02	22	38.97	31	111.99	28
2005	68.41	27	37.50	34	105.91	37
2004	68.92	21	37.35	33	106.27	29
2003*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	65.30	23	35.60	34	100.90	32
2001*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2000	72.14	24	35.39	34	107.53	32
1999	75.76	18	35.49	33	111.25	20
1998	78.56	16	36.44	34	115.00	17

\*Local data for fiscal years 2001 and 2003 not compiled by the U.S. Census Bureau.

**Table 4. Property Taxes Per \$1,000 Personal Income  
Fiscal Years 2005 - 2007**

State	2005		2006		2007	
	Amount	Rank	Amount	Rank	Amount	Rank
Vermont	\$54.12	3	\$56.43	2	\$55.10	1
New Hampshire	56.09	1	56.81	1	54.26	2
Wyoming	50.26	5	52.11	5	52.24	3
New Jersey	52.86	4	54.44	3	52.18	4
Rhode Island	49.60	6	49.18	6	48.30	5
Maine	54.85	2	54.42	4	46.43	6
New York	46.01	7	46.12	7	44.71	7
Connecticut	45.13	8	45.27	8	43.88	8
Michigan	40.34	13	40.93	13	43.43	9
Wisconsin	44.17	9	44.11	9	42.33	10
Texas	43.85	10	42.77	11	41.49	11
Illinois	42.25	11	42.13	12	40.44	12
Alaska	40.09	14	39.93	14	39.41	13
Florida	36.09	20	37.34	18	38.87	14
Nebraska	37.65	17	38.73	16	37.92	15
Montana	38.67	15	38.77	15	36.34	16
Massachusetts	38.59	16	38.62	17	36.21	17
Iowa	36.20	18	36.39	20	36.00	18
Kansas	36.14	19	36.51	19	35.09	19
Ohio	33.96	21	34.41	21	34.20	20
Pennsylvania	32.38	24	32.91	22	33.44	21
North Dakota	33.49	22	31.30	27	32.70	22
South Carolina	32.90	23	32.70	23	32.00	23
Virginia	31.45	26	32.18	24	31.75	24
Oregon	32.01	25	32.13	25	31.06	25
South Dakota	30.35	29	31.17	28	30.85	26
Georgia	31.03	27	31.49	26	30.52	27
Arizona	16.55	48	30.54	31	30.06	28
Minnesota	28.50	33	28.03	34	29.73	29
Indiana	40.73	12	43.48	10	29.70	30
Nevada	29.25	32	27.81	35	29.39	31
WASHINGTON	30.60	28	30.75	29	29.25	32
Colorado	30.00	31	29.98	32	29.12	33
California	26.86	37	27.63	36	27.90	34
Mississippi	28.33	34	28.08	33	27.19	35
Missouri	27.13	36	27.40	37	26.46	36
Utah	28.24	35	26.76	38	26.01	37
Maryland	25.36	39	25.68	40	25.90	38
North Carolina	25.57	38	26.21	39	24.55	39
Idaho	30.18	30	30.70	30	24.09	40
Hawaii	19.89	44	22.19	42	23.14	41
Tennessee	22.32	40	22.35	41	22.38	42
West Virginia	22.01	41	22.11	43	21.90	43
Kentucky	20.08	42	20.44	45	20.39	44
Louisiana	19.95	43	22.06	44	18.21	45
Delaware	16.58	47	17.03	48	17.08	46
New Mexico	17.02	46	17.67	46	17.03	47
Oklahoma	17.18	45	16.93	49	16.26	48
Arkansas	16.55	49	17.64	47	16.26	49
Alabama	14.15	50	14.48	50	14.51	50
U.S. Average	\$34.55		\$34.92		\$34.04	

**Table 5. Per Capita Personal Income  
Calendar Years 2006 - 2008**

State	2006*		2007		2008	
	Amount	Rank	Amount	Rank	Amount	Rank
Connecticut	\$52,702	1	\$55,609	1	\$56,272	1
New Jersey	47,655	2	50,265	2	51,358	2
Massachusetts	47,330	3	49,885	3	51,254	3
New York	43,973	6	47,612	4	48,753	4
Wyoming	44,700	5	46,741	6	48,608	5
Maryland	45,121	4	47,050	5	48,378	6
Virginia	41,367	8	43,275	7	44,224	7
Alaska	38,898	16	41,153	14	44,039	8
California	41,404	7	43,221	8	43,641	9
New Hampshire	40,999	9	42,831	9	43,623	10
Minnesota	40,015	11	41,764	12	43,037	11
Colorado	40,912	10	42,444	10	42,985	12
WASHINGTON	39,623	12	42,020	11	42,857	13
Illinois	39,549	13	41,569	13	42,347	14
Hawaii	38,520	17	40,907	16	42,055	15
Rhode Island	38,392	18	40,219	17	41,368	16
Nevada	39,376	14	41,145	15	41,182	17
Delaware	39,168	15	40,068	18	40,519	18
Pennsylvania	37,326	20	39,058	20	40,140	19
North Dakota	33,602	34	36,695	26	39,870	20
Florida	38,308	19	39,204	19	39,267	21
Nebraska	35,726	23	37,908	21	39,150	22
Kansas	35,756	22	37,389	23	38,820	23
Vermont	36,021	21	37,717	22	38,686	24
South Dakota	33,767	30	36,489	27	38,661	25
Texas	35,275	25	36,829	25	37,774	26
Wisconsin	35,665	24	37,008	24	37,767	27
Iowa	33,853	29	35,699	29	37,402	28
Missouri	34,062	28	35,308	31	36,631	29
Maine	33,735	32	35,078	33	36,457	30
Louisiana	33,750	31	35,363	30	36,424	31
Oregon	34,623	26	35,712	28	36,297	32
Ohio	34,093	27	35,307	32	36,021	33
Oklahoma	33,280	37	34,336	37	35,985	34
North Carolina	33,640	33	34,952	34	35,344	35
Tennessee	32,986	39	34,287	38	34,976	36
Michigan	33,198	38	34,188	39	34,949	37
Georgia	33,473	36	34,650	35	34,893	38
Montana	32,204	41	33,948	40	34,644	39
Indiana	32,881	40	33,756	41	34,605	40
Arizona	33,498	35	34,413	36	34,335	41
Alabama	31,484	43	32,883	43	33,768	42
New Mexico	30,587	45	32,163	44	33,430	43
Idaho	31,668	42	32,905	42	33,074	44
South Carolina	31,031	44	32,065	45	32,666	45
Arkansas	29,573	48	31,646	47	32,397	46
Kentucky	30,129	47	31,206	48	32,076	47
Utah	30,320	46	31,739	46	31,944	48
West Virginia	28,722	49	30,144	49	31,641	49
Mississippi	28,010	50	29,549	50	30,399	50
U.S. Average	\$37,728		\$39,430		\$40,208	

\*Calendar year 2006 personal income used for 2006-2007 tax calculations in Tables 1 - 4.

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce, October 16, 2009.

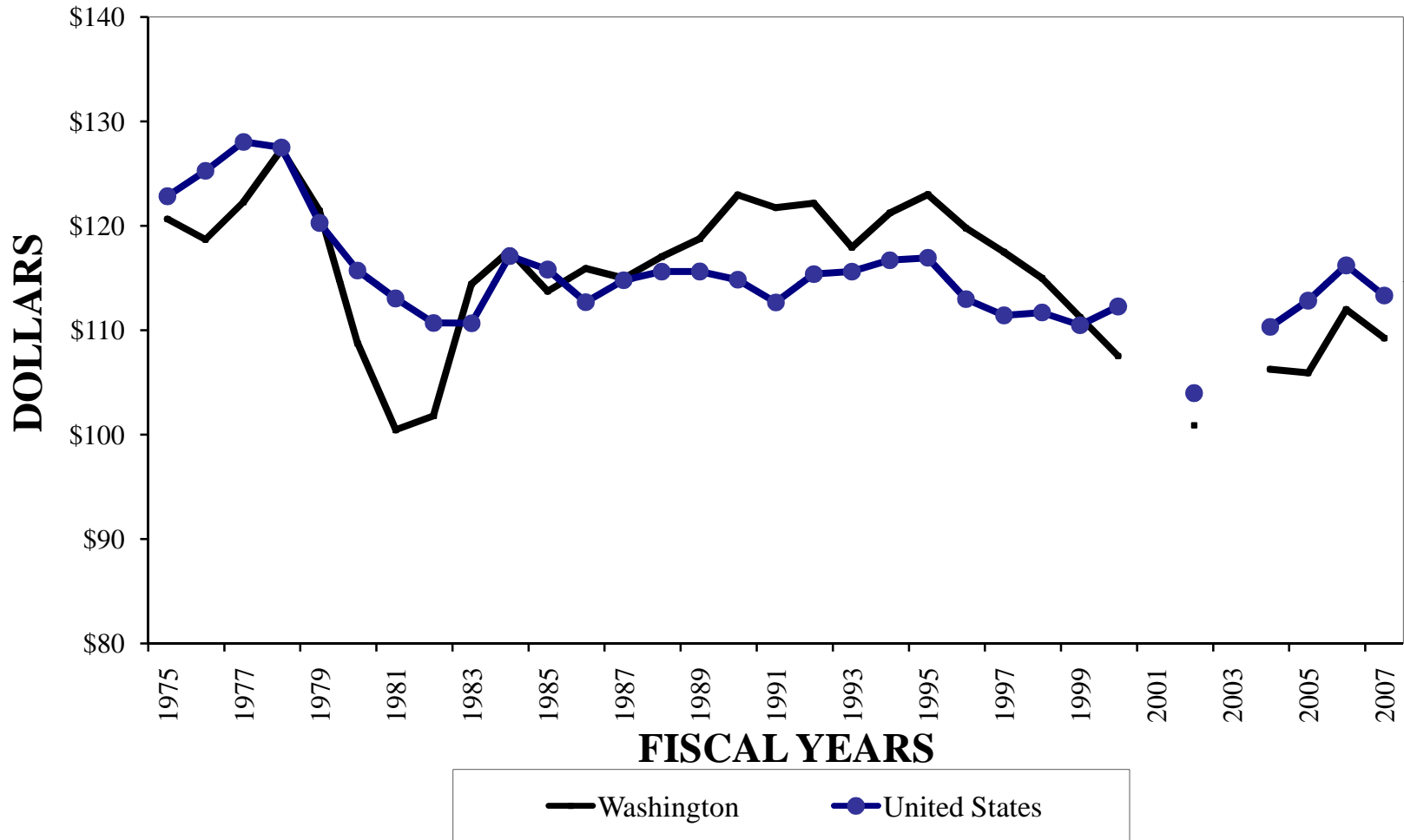
**Table 6. History of Washington's Tax Burden Ranking  
State/Local Taxes Per \$1,000 Personal Income Since 1960**

Fiscal Year	State/Local Taxes		Wash. Ranking	Fiscal Year	State/Local Taxes		Wash. Ranking
	Wash.	U.S. Ave.			Wash.	U.S. Ave.	
				1984	112.85	112.97	21
				1983	109.22	106.85	16
2007	109.25	113.32	26	1982	101.80	110.70	34
2006	111.99	116.22	28	1981	100.45	113.05	39
2005	105.91	112.94	37	1980	108.75	115.73	28
2004	106.27	110.33	29				
2003	n.a.	n.a.	n.a.	1979	121.44	120.29	22
2002	100.90	103.98	32	1978	127.34	127.51	17
2001	n.a.	n.a.	n.a.	1977	122.27	128.05	23
2000	107.53	112.28	32	1976	118.68	125.27	25
				1975	120.65	122.84	20
1999	111.25	110.48	20	1974	122.38	123.58	18
1998	115.00	111.70	17	1973	127.97	129.47	19
1997	117.49	111.43	11	1972	128.26	126.94	18
1996	119.79	112.99	12	1971	122.83	118.87	21
1995	123.00	116.94	11	1970	115.33	116.58	24
1994	121.24	116.71	15				
1993	117.95	115.62	17	1969	115.49	112.20	22
1992	122.17	115.38	11	1968	114.70	108.10	18
1991	121.75	112.67	9	1967	112.12	105.50	18
1990	122.98	114.84	10	1966	115.49	106.63	17
				1965	111.84	104.36	20
1989	118.76	115.63	16	1964	109.19	103.52	20
1988	117.04	115.62	18	1963	105.15	96.50	18
1987	114.99	114.79	19	1962	101.74	94.44	16
1986	113.89	112.36	16	1961	100.68	93.86	19
1985	108.47	112.79	25	1960	98.43	90.29	21

Note: The U.S. Census Bureau did not compile local tax collections in 2001 and 2003.

# CHART 1. STATE AND LOCAL TAXES PER \$1,000 OF PERSONAL INCOME

WASHINGTON AND ALL STATE AVERAGE 1975-2007



**Table 7. State and Local Taxes Per Capita  
Fiscal Years 2005 - 2007**

State	2005		2006		2007	
	Amount	Rank	Amount	Rank	Amount	Rank
Alaska	\$4,443	6	\$5,410	5	\$7,268	1
New York	5,752	1	6,413	1	6,898	2
Wyoming	5,251	3	6,116	2	6,205	3
Connecticut	5,398	2	5,685	3	6,044	4
New Jersey	4,890	4	5,459	4	5,944	5
Hawaii	4,338	7	4,848	6	5,139	6
Massachusetts	4,470	5	4,761	7	4,966	7
Maryland	4,276	8	4,603	8	4,817	8
California	4,055	12	4,517	9	4,754	9
Vermont	4,137	10	4,435	10	4,714	10
Minnesota	4,088	11	4,363	13	4,566	11
Rhode Island	4,191	9	4,408	12	4,545	12
Illinois	3,849	16	4,081	15	4,290	13
Maine	3,960	13	4,415	11	4,280	14
WASHINGTON	3,651	21	3,948	18	4,269	15
Delaware	3,894	14	4,243	14	4,245	16
Pennsylvania	3,710	19	3,956	17	4,208	17
Virginia	3,657	20	3,934	19	4,205	18
Wisconsin	3,872	15	4,002	16	4,169	19
Nevada	3,749	17	3,917	20	4,089	20
Kansas	3,415	24	3,793	22	4,088	21
North Dakota	3,343	28	3,714	24	4,085	22
Nebraska	3,746	18	3,898	21	4,034	23
Louisiana	3,173	31	3,706	25	4,020	24
Ohio	3,637	22	3,773	23	4,012	25
Florida	3,369	26	3,693	26	4,009	26
Colorado	3,363	27	3,614	28	3,848	27
New Mexico	3,151	32	3,591	29	3,797	28
Michigan	3,494	23	3,565	30	3,691	29
Arizona	3,079	34	3,234	38	3,673	30
Iowa	3,273	30	3,450	31	3,665	31
New Hampshire	3,306	29	3,443	32	3,614	32
North Carolina	3,149	33	3,384	33	3,586	33
Georgia	3,010	38	3,321	35	3,481	34
Texas	3,015	37	3,235	37	3,441	35
Montana	2,913	43	3,189	41	3,419	36
Oregon	3,052	36	3,360	34	3,413	37
West Virginia	3,060	35	3,252	36	3,371	38
Utah	2,933	41	3,211	40	3,337	39
Indiana	3,405	25	3,641	27	3,332	40
Oklahoma	2,843	45	3,147	42	3,312	41
Missouri	2,997	39	3,137	43	3,265	42
Arkansas	2,902	44	3,114	44	3,242	43
Kentucky	2,939	40	3,225	39	3,235	44
Idaho	2,926	42	3,076	45	3,185	45
South Carolina	2,779	46	2,874	46	3,134	46
South Dakota	2,715	47	2,842	47	3,009	47
Tennessee	2,685	48	2,838	48	3,005	48
Mississippi	2,575	49	2,822	49	2,989	49
Alabama	2,569	50	2,782	50	2,909	50
U.S. Average	\$3,698		\$4,001		\$4,234	

**Table 8. Per Capita Yield of State and Local Taxes  
Thirteen Western States - Fiscal Year 2007**

<b>State</b>	<b>Amount</b>	<b>National Rank</b>	<b>Western Rank</b>
Alaska	\$7,268	1	1
Wyoming	6,205	3	2
Hawaii	5,139	6	3
California	4,754	9	4
WASHINGTON	4,269	15	5
Nevada	4,089	20	6
Colorado	3,848	27	7
New Mexico	3,797	28	8
Arizona	3,673	30	9
Montana	3,419	36	10
Oregon	3,413	37	11
Utah	3,337	39	12
Idaho	3,185	45	13

**Table 9. Washington Taxes Per Capita  
State, Local and Total State/Local Taxes for Past Ten Years**

Fiscal Year	<u>State Taxes</u>		<u>Local Taxes</u>		<u>Combined Total</u>	
	Amount	Rank	Amount	Rank	Amount	Rank
2007	\$2,743	14	\$1,526	24	\$4,269	15
2006	2,574	16	1,374	28	3,948	18
2005	2,358	17	1,293	27	3,651	21
2004	2,239	13	1,213	28	3,452	18
2003*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2002	2,081	13	1,135	25	3,216	16
2001	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2000	2,132	13	1,046	24	3,178	15
1999	2,143	10	1,004	24	3,148	13
1998	2,075	8	963	25	3,038	13

\* Local data for fiscal years 2001 and 2003 not compiled by U.S. Census Bureau.



**Table 10. Per Capita Property Tax Collections**  
**Fiscal Years 2005 - 2007**

State	2005		2006		2007	
	Amount	Rank	Amount	Rank	Amount	Rank
New Jersey	\$2,206	1	\$2,371	1	\$2,483	1
Connecticut	2,044	2	2,164	2	2,311	2
Wyoming	1,751	5	1,921	4	2,288	3
New Hampshire	2,028	3	2,120	3	2,219	4
Vermont	1,697	6	1,850	6	1,983	5
New York	1,768	4	1,890	5	1,960	6
Rhode Island	1,695	7	1,778	7	1,865	7
Massachusetts	1,607	9	1,683	8	1,707	8
Illinois	1,464	10	1,530	10	1,591	9
Maine	1,632	8	1,681	9	1,564	10
Alaska	1,345	12	1,431	12	1,522	11
Wisconsin	1,410	11	1,440	11	1,502	12
Florida	1,148	17	1,276	16	1,474	13
Michigan	1,279	14	1,339	14	1,447	14
Texas	1,320	13	1,388	13	1,434	15
Nebraska	1,195	16	1,267	17	1,347	16
Virginia	1,109	20	1,208	18	1,301	17
Kansas	1,125	18	1,188	19	1,245	18
Pennsylvania	1,079	21	1,146	20	1,245	19
Iowa	1,114	19	1,141	21	1,212	20
Minnesota	1,024	26	1,036	27	1,181	21
Colorado	1,059	23	1,106	23	1,169	22
Maryland	1,001	27	1,064	26	1,165	23
Ohio	1,044	25	1,099	24	1,164	24
Montana	1,067	22	1,118	22	1,156	25
California	942	31	1,027	28	1,147	26
WASHINGTON	1,055	24	1,084	25	1,143	27
Nevada	962	30	1,007	29	1,126	28
North Dakota	977	29	995	31	1,096	29
Oregon	979	28	998	30	1,060	30
South Dakota	942	32	973	32	1,031	31
Georgia	899	33	958	33	1,000	32
Arizona	861	35	896	35	979	33
South Carolina	880	34	915	34	975	34
Indiana	1,219	15	1,334	15	970	35
Missouri	810	36	854	36	894	36
Hawaii	643	42	769	39	890	37
North Carolina	744	38	788	38	808	38
Utah	720	39	728	40	764	39
Mississippi	676	40	716	41	755	40
Idaho	807	37	846	37	745	41
Tennessee	654	41	679	42	728	42
Delaware	577	43	622	43	660	43
West Virginia	556	44	586	44	628	44
Kentucky	538	46	576	46	609	45
Louisiana	539	45	582	45	596	46
Oklahoma	485	47	504	47	535	47
New Mexico	448	48	491	48	514	48
Arkansas	422	49	470	49	476	49
Alabama	394	50	420	50	453	50
U.S. Average	\$1,132		\$1,202		\$1,272	

**Table 11. Per Capita State and Local Sales Tax Collections  
Fiscal Year 2007**

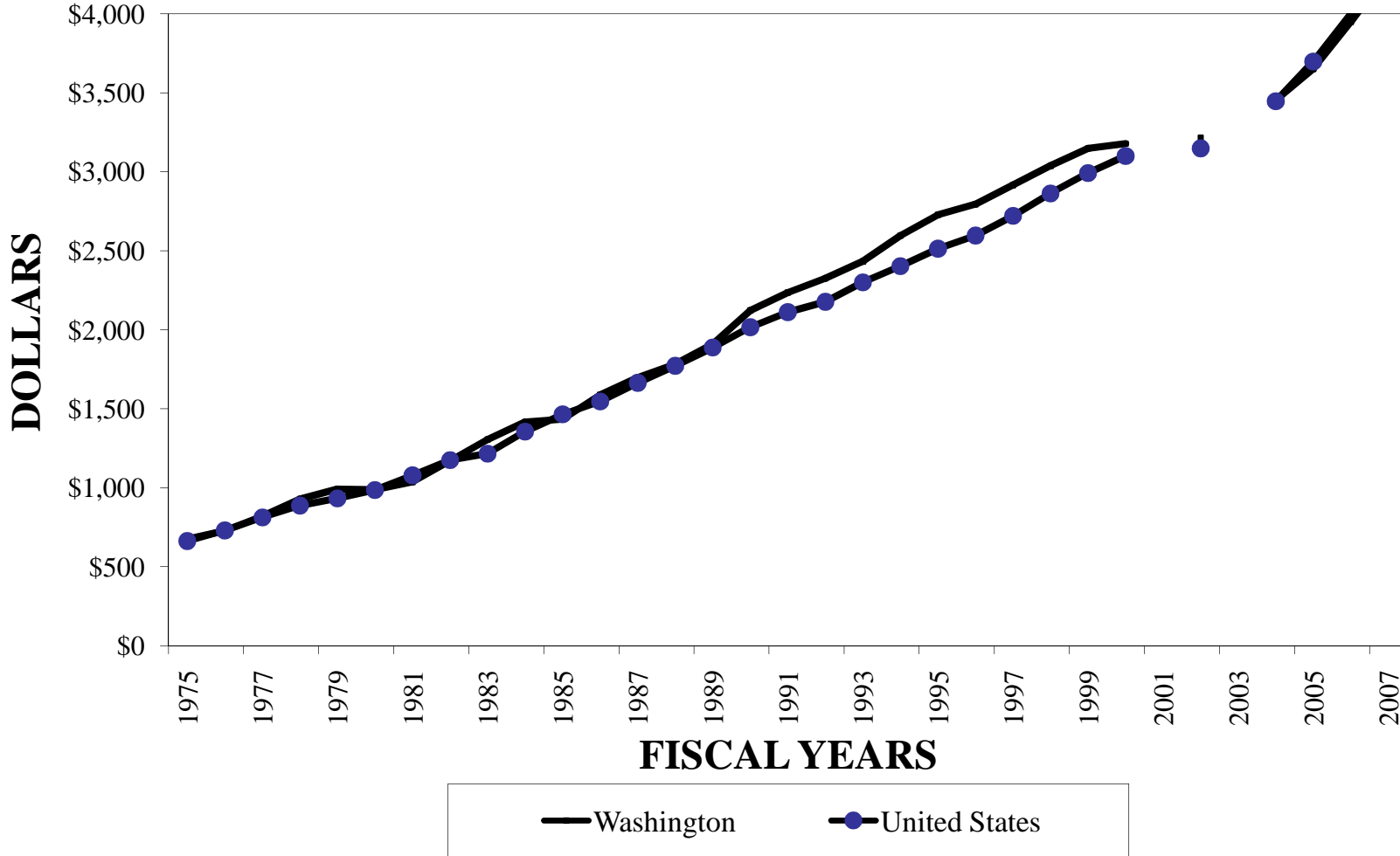
State	General Sales Taxes [1]		Selective Sales Taxes [2]		Total Sales and Gross Receipts Taxes	
	Amount	Rank	Amount	Rank	Amount	Rank
Hawaii	\$2,002	2	\$659	4	\$2,661	1
WASHINGTON	2,029	1	620	7	2,649	2
Nevada	1,383	6	996	1	2,379	3
Louisiana	1,609	4	525	17	2,134	4
Wyoming	1,757	3	293	49	2,049	5
Florida	1,329	10	631	6	1,961	6
New Mexico	1,369	8	414	28	1,783	7
Arizona	1,474	5	304	46	1,778	8
Arkansas	1,338	9	388	30	1,725	9
Tennessee	1,374	7	332	41	1,706	10
New York	1,132	13	542	14	1,674	11
South Dakota	1,218	11	408	29	1,626	12
Texas	1,062	16	546	12	1,608	13
California	1,152	12	339	40	1,491	14
Minnesota	877	24	575	8	1,452	15
Illinois	713	39	737	3	1,450	16
Kansas	1,086	14	362	35	1,448	17
North Dakota	894	23	540	15	1,434	18
Mississippi	1,080	15	351	36	1,432	19
Connecticut	868	26	555	11	1,423	20
New Jersey	995	19	425	27	1,420	21
Alabama	870	25	518	18	1,388	22
Vermont	548	45	832	2	1,379	23
Colorado	1,046	17	315	45	1,362	24
Georgia	1,038	18	303	47	1,341	25
Nebraska	981	20	326	42	1,307	26
Utah	959	21	346	38	1,305	27
Rhode Island	831	30	469	23	1,301	28
Maine	802	32	485	22	1,287	29
West Virginia	624	42	652	5	1,276	30
Oklahoma	944	22	318	44	1,262	31
Ohio	819	31	434	25	1,253	32
Indiana	856	28	383	32	1,239	33
Missouri	854	29	374	34	1,228	34
North Carolina	787	35	433	26	1,220	35
Pennsylvania	714	38	490	21	1,204	36
Kentucky	665	40	535	16	1,200	37
Michigan	794	33	388	31	1,182	38
Iowa	778	36	382	33	1,160	39
Wisconsin	794	34	348	37	1,142	40
Idaho	856	27	283	50	1,139	41
Maryland	614	43	513	19	1,127	42
Virginia	610	44	499	20	1,109	43
South Carolina	761	37	343	39	1,104	44
Massachusetts	630	41	324	43	954	45
Alaska	263	46	453	24	716	46
New Hampshire	--	--	560	9	560	47
Montana	--	--	559	10	559	48
Delaware	--	--	543	13	543	49
Oregon	--	--	296	48	296	50

[1] Includes retail sales taxes that apply to most goods and gross receipts taxes measured by sales (e.g., Washington's B&O tax), per Census Bureau classifications which do not separate general sales taxes from gross receipts taxes.

[2] Specific taxes upon particular items, such as gasoline, alcoholic beverages, tobacco products and public utilities.

# CHART 2. STATE AND LOCAL TAXES PER CAPITA

WASHINGTON AND ALL STATE AVERAGE 1975-2007



**Table 12. State/Local Tax Collections  
Selected States - Fiscal Year 2007**

State	Percent of Total Collections	
	State Level	Local Level
WASHINGTON	64.3 %	35.7 %
Oregon	60.7	39.3
Idaho	74.2	25.8
California	66.3	33.7
All States	59.3 %	40.7 %

**Table 13. Percentage of Reliance on  
Major State and Local Taxes  
Selected States - Fiscal Year 2007**

State	General Sales [1]	Selective Sales [2]	Property	Income	Other [3]
WASHINGTON	47.5 %	14.5 %	26.8 %	---	11.2 %
Oregon	---	8.7	31.0	47.7	12.6
Idaho	26.9	8.9	23.4	33.4	7.4
California	24.2	7.1	24.1	37.3	7.3
All States	23.5 %	10.9 %	30.0 %	27.4 %	8.2 %

[1] Includes retail sales/use taxes and gross receipts (B&O) taxes levied on gross sales.

[2] Includes taxes on specific items, e.g., gasoline, liquor, cigarettes and public utilities.

[3] Includes motor vehicle licenses and all other taxes.

**Table 14. 2009 Rates of Selected Major State Taxes**

State	Retail Sales		Personal Income [1]				Corporation Income %	Gasoline Per Gal. (cents)	Cigarette Per Pkg. (\$/pack)
	State Rate %	Local Rate (Largest City) %	Lowest Bracket	Rate %	Highest Bracket	Rate %			
Alabama	4	6	1st \$500	2	Over \$3,000	5 [2]	6.5	16 [2]	0.425 [2]
Alaska	--	0 [3]	--	--	--	--	1 to 9.4	8	2.00
Arizona	5.6	2.7	1st \$10,000	2.59	Over \$150,000	4.54	6.968	18	2.00
Arkansas	6	1.5	1st \$3,699	1	Over \$31,000	7	1 to 6.5 [2]	21.5	1.15
California	8.25 [4]	1.5	1st \$7,168	1	Over \$47,055	9.3 [2]	8.84	18 [2]	0.87
Colorado	2.9	4.82	4.63% of federal taxable income				4.63	22	0.84
Connecticut	6	--	1st \$10,000	3	Over \$10,000	5	7.5	25	2.00
Delaware	--	--	1st \$5,000	2.2	Over \$60,000	5.95 [2]	8.7	23	1.15
Florida	6	1	--	--	--	--	5.5	16.1 [2]	0.339
Georgia	4	4	1st \$750	1	Over \$7,000	6	6	14.1	0.37
Hawaii	4	0.5	1st \$2,400	1.4	Over \$48,000	8.25	4.4 to 6.4	17 [2]	2.00
Idaho	6	--	1st \$1,237	1.6	Over \$24,736	7.8	7.6	26	0.57
Illinois	6.25	4	3% of taxable income				7.3	19 [2]	0.98 [2]
Indiana	7	--	3.4% of adjusted gross income [2]				8.5	18	0.995
Iowa	6	--	1st \$1,379	0.36	Over \$62,055	8.98	6 to 12	21	1.36
Kansas	5.3	1	1st \$15,000	3.5	Over \$30,000	6.45	4 to 7.35 [2]	24	0.79
Kentucky	6	--	1st \$3,000	2	Over \$75,000	6 [2]	4 to 7 [2]	21	0.60
Louisiana	4	5	1st \$12,500	2	Over \$25,000	6	4 to 8	20	0.36
Maine	5	--	1st \$4,849	2	Over \$19,450	8.5	3.5 to 8.93	28.4	2.00
Maryland	6	--	1st \$1,000	2	Over \$1,000,000	6.25 [2]	8.25	23.5	2.00
Massachusetts	6.25	--	5.3% of taxable income				9.5	21	2.51
Michigan	6	--	4.35% of adjusted gross income [2]				4.95	19	2.00
Minnesota	6.875	0.9	1st \$22,730	5.35	Over \$74,651	7.85	9.8	25.5	1.485
Mississippi	7	--	1st \$5,000	3	Over \$10,000	5	3 to 5	18	0.18
Missouri	4.225	4.5	1st \$1,000	1.5	Over \$9,000	6 [2]	6.25	17	0.17[2]

Sources: Federation of Tax Administrators; "State Tax Guide," Commerce Clearing House, Inc.; Energy Information Administration; Research Institute of America (RIA); state revenue agency web sites.

NOTE: This table is intended only as a general guide. Tax rates may change frequently, and some changes are only in effect temporarily. Also, there may be differences of interpretation whether a tax is considered as a state tax or a state-collected local tax and whether a rate has been implemented or merely authorized.

Tax rates reflect those in effect as of July 2009, although subsequent rate changes already approved may be indicated.

**Table 14. 2009 Rates of Selected Major State Taxes**

State	Retail Sales		Personal Income [1]				Corporation Income %	Gasoline Per Gal. (cents)	Cigarette Per Pkg. (\$/pack)
	State Rate %	Local Rate (Largest City) %	Lowest Bracket	Rate %	Highest Bracket	Rate %			
Montana	--	--	1st \$2,600	1	Over \$15,600	6.9	6.75	27	1.70
Nebraska	5.5	1.5	1st \$2,400	2.56	Over \$102,310	6.84	5.58 to 7.81	26.4	0.64
Nevada	6.85	1.25	--	--	--	--	--	23	0.80
New Hampshire	--	--	Interest and dividends - 5%				8.5	19.625	1.33
New Jersey	7	--	1st \$20,000	1.4	Over \$500,000	8.97 [2]	6.5 to 9	14.5	2.575 [2]
New Mexico	5	1.85	1st \$5,500	1.7	Over \$16,000	5.7	4.8 to 7.6	17	0.91
New York	4	4.875	1st \$8,000	4	Over \$20,000	6.85 [2]	7.5 [2]	17.1	2.75 [2]
North Carolina	4.5	2.75	1st \$12,750	6	Over \$60,000	7.75	6.9	29.9	0.35
North Dakota	5	1.5	1st \$32,550	2.1	Over \$357,700	5.54	2.6 to 6.5	23	0.44
Ohio	5.5	1.25	1st \$5,000	0.587	Over \$200,000	5.925 [2]	--	28	1.25
Oklahoma	4.5	3.875	1st \$5,250	0.5	Over \$12,950	5.55	6	16	1.03
Oregon	--	--	1st \$3,050	5	Over \$7,600	9 [2]	6.6 [2]	24 [2]	1.18
Pennsylvania	6	1	3.07% of taxable income [2]				9.99 [2]	31.2	1.35
Rhode Island	7	--	25% of federal tax				9	32	3.46
South Carolina	6	1	1st \$5,260	3	Over \$13,150	7	5	16	0.07
South Dakota	4	2	--	--	--	--	--	22 [2]	1.53
Tennessee	7	2.25	Interest and dividends - 6%				6.5	21.4	0.62 [2]
Texas	6.25	2	--	--	--	--	--	20	1.41
Utah	4.7	2.15	5.0% of taxable income				5	24.5	0.695
Vermont	6	1	1st \$31,850	3.6	Over \$349,700	9.5	6.0 to 8.5	20	2.24
Virginia	5 [4]	--	1st \$3,000	2	Over \$17,000	5.75	6	17.5 [2]	0.30 [2]
Washington	6.5	3	--	--	--	--	--	37.5	2.025
West Virginia	6	--	1st \$10,000	3	Over \$60,000	6.5	8.75	32.2	0.55
Wisconsin	5	0.6	1st \$9,700	4.6	Over \$145,460	6.75	7.9	30.9	2.52 [5]
Wyoming	4	2	--	--	--	--	--	14	0.60

[1] Generally the brackets indicated apply to single taxpayers, but most states double the brackets for joint filers.

[2] Local units of government may impose additional taxes.

[3] Alaskan cities and boroughs may impose sales taxes ranging from 2% to 7%.

[4] Includes statewide mandatory local sales tax of 1.0%.

[5] Wisconsin cigarette tax increase from \$1.77 to \$2.52 effective Sept. 1, 2009.

**Table 15. Utilization of Retail Sales and Income Taxes, 2009**

State	Retail Sales Tax		Corporate Net Income Tax	Personal Income Tax	
	State	Local		Broad-based	Interest/Dividends Only
Alabama	X	X	X	X	
Alaska		X	X		
Arizona	X	X	X	X	
Arkansas	X	X	X	X	
California	X	X	X	X	
Colorado	X	X	X	X	
Connecticut	X		X	X	
Delaware			X	X	
Florida	X	X	X		
Georgia	X	X	X	X	
Hawaii	X		X	X	
Idaho	X	X	X	X	
Illinois	X	X	X	X	
Indiana	X		X	X	
Iowa	X	X	X	X	
Kansas	X	X	X	X	
Kentucky	X		X	X	
Louisiana	X	X	X	X	
Maine	X		X	X	
Maryland	X		X	X	
Massachusetts	X		X	X	
Michigan	X		X	X	
Minnesota	X	X	X	X	
Mississippi	X	X	X	X	
Missouri	X	X	X	X	
Montana			X	X	
Nebraska	X	X	X	X	
Nevada	X	X			
New Hampshire			X		X
New Jersey	X		X	X	
New Mexico	X	X	X	X	
New York	X	X	X	X	
North Carolina	X	X	X	X	
North Dakota	X	X	X	X	
Ohio	X	X		X	
Oklahoma	X	X	X	X	
Oregon			X	X	
Pennsylvania	X	X	X	X	
Rhode Island	X		X	X	
South Carolina	X	X	X	X	
South Dakota	X	X			
Tennessee	X	X	X		X
Texas	X	X			
Utah	X	X	X	X	
Vermont	X	X	X	X	
Virginia	X	X	X	X	
WASHINGTON	X	X			
West Virginia	X		X	X	
Wisconsin	X	X	X	X	
Wyoming	X	X			
Number of States Imposing This Tax	45	35	44	41	2

# of states imposing a state or local sales tax = 46 (all except DE, MT, NH, and OR)

# of states imposing some form of income tax = 45 (all except NV, SD, TX, WA, and WY)

# of states imposing both a state or local sales tax and some form of an income tax = 41



**Table 16. Comparison of State/Local Retail Sales Taxes - 2009**

State	Food Items [1] Taxable (T) Exempt (E)	State Rate	Local Rate in Largest City [2]	Combined State/Local Rate [2]
Illinois	T**	6.25	4.00	10.250
Alabama	T**	4.00	6.00	10.000
California	E	8.25	1.50	9.750
WASHINGTON	E	6.50	3.00	9.500
Tennessee	T**	7.00	2.25	9.250
Louisiana	E [3]	4.00	5.00	9.000
New York	E	4.00	4.875	8.875
Missouri	T**	4.225	4.500	8.725
Oklahoma	T	4.50	3.875	8.375
Arizona	E [3]	5.60	2.70	8.300
Texas	E	6.25	2.00	8.250
Nevada	E	6.85	1.25	8.100
Georgia	E [3]	4.00	4.00	8.000
Minnesota	E	6.875	0.90	7.775
Colorado	E	2.90	4.82	7.720
Arkansas	T**	6.00	1.50	7.500
North Carolina	E [3]	4.50	2.75	7.250
South Carolina	T**	6.00	1.00	7.000
Florida	E	6.00	1.00	7.000
Mississippi	T	7.00	---	7.000
Indiana	E	7.00	---	7.000
Nebraska	E	5.50	1.50	7.000
Pennsylvania	E	6.00	1.00	7.000
Rhode Island	E	7.00	---	7.000
Vermont	E	6.00	1.00	7.000
New Jersey	E	7.00	---	7.000
Utah	T**	4.70	2.15	6.850
New Mexico	E	5.00	1.85	6.850
Ohio	E	5.50	1.25	6.750
North Dakota	E	5.00	1.50	6.500
Kansas	T*	5.30	1.00	6.300
Massachusetts	E	6.25 [4]	---	6.250
Idaho	T*	6.00	---	6.000
Iowa	E	6.00	---	6.000
Connecticut	E	6.00	---	6.000
Kentucky	E	6.00	---	6.000
Maryland	E	6.00	---	6.000
Michigan	E	6.00	---	6.000
South Dakota	T*	4.00	2.00	6.000
West Virginia	T**	6.00	---	6.000
Wyoming	E*	4.00	2.00	6.000
District of Columbia	E	5.75	---	5.750
Wisconsin	E	5.00	0.60	5.600
Virginia	T**	5.00	---	5.000
Maine	E	5.00	---	5.000
Hawaii	T*	4.00	0.50	4.500
Alaska	T	---	0.00 [5]	0.000

[1] Food products purchased for consumption off-premises of the seller.

[2] Aggregate local rate levied in the largest city in the state. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes on specified sales (e.g. lodging or meals) are excluded.

[3] Food products are exempt from state tax, but subject to local taxes.

[4] Massachusetts rate increase from 5.0% to 6.25% effective August 1, 2009.

[5] Alaskan cities and boroughs may levy local sales taxes ranging from 2% to 7%. (Anchorage does not.)

Tax rates generally as of July 2009, unless a later rate change has already been adopted.

\* Income tax credit allowed to offset sales tax on food.

\*\* Food taxed at lower rate.

Sources: "State Tax Guide," Commerce Clearing House, Inc.; Federation of Tax Administrators; state web pages.

**Table 17. Comparison of Business Taxes**  
**Major State Taxes on General Business Activities, 2009**

State	Net Income	Other General Business Taxes*			Comments
	Tax On Corporations	Tax	Tax Base	Major Rates	
Alabama	Yes				
Alaska	Yes				
Arizona	Yes	Transaction Privilege	gross income	5.6%	basically a sales tax
Arkansas	Yes				
California	Yes				
Colorado	Yes				
Connecticut	Yes				
Delaware	Yes	Gross Receipts	gross receipts	0.144 - 0.576%	
Florida	Yes				
Georgia	Yes				
Hawaii	Yes	General Excise	gross income	0.5 - 4%	broader form of sales tax
Idaho	Yes				
Illinois	Yes				
Indiana	Yes				
Iowa	Yes				
Kansas	Yes				
Kentucky	Yes	Alternative Minimum	gross receipts	0.095%	part of corporate income tax
Louisiana	Yes				
Maine	Yes				
Maryland	Yes				
Massachusetts	Yes				
Michigan	Yes	Mich. Business Tax	taxable & gross	5.0%	two-part tax, including gross
Minnesota	Yes				
Mississippi	Yes				
Missouri	Yes				
Montana	Yes				
Nebraska	Yes				
Nevada	No	Modified Bus. Tax	wages paid	0.63%	
New Hampshire	Yes	Bus. Enterprise Tax	gross receipts	0.75%	
New Jersey	Yes	Minimum Tax	gross receipts	\$500-\$2000	part of corporate income tax
New Mexico	Yes	Gross Receipts Tax	gross receipts	5%	broader form of sales tax
New York	Yes				
North Carolina	Yes				
North Dakota	Yes				
Ohio	No	Commercial Activities	gross receipts	0.26% (2010)	receipts > \$1 million
Oklahoma	Yes				
Oregon	Yes				
Pennsylvania	Yes				
Rhode Island	Yes				
South Carolina	Yes				
South Dakota	No				
Tennessee	Yes				
Texas	No	Franchise Tax	value-added**	0.5 - 1%	adopted 5/06; effective 1/08
Utah	Yes				
Vermont	Yes				
Virginia	Yes				
WASHINGTON	No	B&O Tax	gross receipts	0.484%	in addition to retail sales tax
West Virginia	Yes				
Wisconsin	Yes				
Wyoming	No				

\*Excludes taxes on specific industries or activities (utilities, insurance, severance, etc.) & corporate franchise or license fees.

\*\*Based on total revenue but allows deduction of wages paid or cost of goods sold; sole proprietors are exempt.

# of states levying a corporate net income tax = 44 (all except OH, NV, SD, TX, WA, and WY)

# of states with a gross receipts tax that is broader than a traditional retail sales tax = 6 (AZ, DE, HI, NH, OH, & WA)

# of states that rely exclusively on a gross receipts business tax = 2 (OH & WA)

**Table 18. Comparison of State Cigarette and Gasoline Taxes, 2009**

Cigarette Tax		Gasoline Tax	
State	\$ Per Pack	State	¢ Per Gallon
Rhode Island	3.46	WASHINGTON	37.5
New York [1]	2.75	West Virginia	32.2
New Jersey [1]	2.575	Rhode Island [2]	32
Wisconsin	2.52	Pennsylvania	31.2
Massachusetts	2.51	Wisconsin [2]	30.9
Vermont	2.24	North Carolina [2]	29.9
WASHINGTON	2.025	Maine	28.4
Alaska	2.00	Ohio	28
Arizona	2.00	Montana	27
Connecticut	2.00	Nebraska [2]	26.4
Maine	2.00	Idaho	26
Maryland	2.00	Minnesota	25.5
Michigan	2.00	Connecticut	25
Hawaii	2.00	Utah	24.5
Montana	1.70	Oregon [1]	24
South Dakota	1.53	Kansas	24
Minnesota	1.485	Maryland	23.5
Texas	1.41	North Dakota	23
Iowa	1.36	Nevada [1]	23
Pennsylvania	1.35	Delaware	23
New Hampshire	1.33	South Dakota [1]	22
Ohio	1.25	Colorado	22
Oregon	1.18	Arkansas	21.5
Delaware	1.15	Tennessee [1]	21.4
Arkansas	1.15	Massachusetts [2]	21
Oklahoma	1.03	Kentucky [2]	21
Indiana	0.995	Iowa	21
Illinois [1]	0.98	Vermont	20
New Mexico	0.91	Texas	20
California	0.87	Louisiana	20
Colorado	0.84	New Hampshire	19.625
Nevada	0.80	Michigan [2][3]	19
Kansas	0.79	Illinois[1][3]	19
Utah	0.695	Mississippi	18
Nebraska	0.64	Indiana [3]	18
Tennessee [1]	0.62	California [1][3]	18
Kentucky	0.60	Arizona	18
Wyoming	0.60	Virginia [1]	17.5
Idaho	0.57	New York [3]	17.1
West Virginia	0.55	New Mexico	17
North Dakota	0.44	Missouri	17
Alabama [1]	0.425	Hawaii [1][3]	17
Georgia	0.37	Florida [1][3]	16.1
Louisiana	0.36	South Carolina	16
North Carolina	0.35	Oklahoma	16
Florida	0.339	Alabama [1]	16
Virginia [1]	0.30	New Jersey	14.5
Mississippi	0.18	Georgia [3]	14.1
Missouri [1]	0.17	Wyoming	14
South Carolina	0.07	Alaska	8

[1] Plus local taxes.

[2] Variable rate based on fuel price, consumption, or highway maintenance costs.

[3] Gasoline is also subject to retail sales tax.

Sources: See Table 15. Rates are generally as of July 2009.

### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	Early History	1929	1931	1933	1935	1937
<b>PROPERTY</b>	1853, U.S. Organic Act established territorial government; all taxes to be assessed uniformly; exemption for U.S. property, churches, benevolent institutions. 1886, revenue producing property of churches is taxable. 1889, State Constitution: property to be assessed uniformly; Legislature may grant exemptions. 1900, \$300 personal property per household exempt. 1925, exemption for private schools and colleges.	14th Amendment (1930): classification of property is allowed, real estate must be one class; yield tax on reforestation land and mines is permitted.	Exemption for intangibles. Yield tax on reforestation lands. 1932, initiative imposing 40 mill limit.	1932, <u>Redd</u> case limited state authority over local property assessments.	Exemption for all household goods and personal effects.	Motor vehicles exempt from property tax.
<b>VEHICLE EXCISE</b>						Motor vehicle excise tax, 1.5% of value.
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>						
<b>RETAIL SALES AND USE</b>					2% tax on sales to or use by consumers of tangible personal property. Exemption for dairy products, fruit, vegetables, eggs and bread.	1939, tax is extended to all food, liquor and services to tangible property.
<b>BUSINESS AND OCCUPATION</b>				Occupation tax on gross income: extracting 0.3%; mfg. 0.25%; wholesaling 0.20%; retailing 0.5%; most services 0.5%.	B&O replaced occupation tax. Basic rate 0.25% (mfg., wholesaling, retailing); service 0.5%. Farming and employees exempt. Minimum, \$200/month (\$500 retailers).	
<b>PUBLIC UTILITY</b>				Occupation tax: 3% basic rate; gas 2%; vessels and transit 0.5%; all others 1.5%.	Public utility tax separated from B&O. 1933 rates retained.	
<b>GASOLINE</b>	1921, tax of 1¢ per gallon.	Rate increased from 1¢ to 2¢.	Rate increased from 2¢ to 4¢.	Rate increased from 4¢ to 5¢. Refunds for off-highway use.	Fuel oil tax of 1/4 cents per gallon.	
<b>CIGARETTE AND TOBACCO</b>					Cigarette tax of 1¢ per package.	(1939) Rate increased from 1¢ to 2¢.
<b>ALCOHOLIC BEVERAGES</b>				1934, beer excise tax: \$1.00/barrel.	10% tax on sales of liquor by Control Board. 10¢ per gallon on wine.	
<b>INHERITANCE AND GIFT</b>	1901, inheritance tax: Class A, 1% (\$10,000 exempt); Class B, 3% - 6%; Class C, 6% - 12%. 1917, increased rates for each class; \$1,000 family allowance. 1923, rates increased.	Exemption for each Class A decedent. All maximum rates lowered.	Adjustment in Class B tax rates.		Revision of rates and tax brackets. Exemptions for first \$40,000 of paid insurance and \$1,000 for Class B.	
<b>INSURANCE</b>	1891, tax of 2% levied on gross premiums. 1911, retaliatory clause adopted.					Domestic rate 1%; foreign rate 2.25%.
<b>ADMISSION AND AMUSEMENT</b>				5% tax on gross receipts of boxing, wrestling, and pari-mutuel betting.	State admissions tax of 1¢ per 20¢ of ticket price.	

### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1941	1943	1944	1949	1951	1955	1959	1961
<b>PROPERTY</b>		Exemption for house trailers.	17th Amendment: assessment at 50% of true and fair value; 40 mill limitation in Constitution.			Property revaluation cycle: four-year interval.		Freeport exemption for goods in transit.
<b>VEHICLE EXCISE</b>		Inclusion of house trailers at 1.5%.		1% excise tax on value of aircraft.		Rate reduced to 1% for house trailers (1957).	Motor vehicle rate increased from 1.5% to 2.0%.	
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	PUD tax in lieu of property tax; 2% of PUD gross revenues.			Extension of PUD to self-generated energy at 5% of gross revenue.			PUD tax on self-generated energy changed to 5% of first 4 mills.	
<b>RETAIL SALES AND USE</b>	Rate increased from 2% to 3%. Tax extended to services rendered to real property.	Exemption for seed fertilizer, chemical sprays.	1945, exemption of breeding livestock.		Extension to hotels and motels. Exemption of liquor but subject to 10% excise tax.	Rate increased from 3% to 3.33%.	Rate increased from 3.33% to 4%. Extension to rental of personal property, clearing/ moving land, and services to buildings.	Extended to various services: recreation, amusement, title escrow and parking.
<b>BUSINESS AND OCCUPATION</b>	Uniform minimum of \$300 per month. Elimination of tax on internal distributions.				Surtax of 20%: basic rate 0.3%, service 0.6%.	Increase of surtax to 60%: basic rate 0.4%, service 0.8%. Internal distribution restored to tax base.	Surtax on basic rate increased to 76% (0.44%). Service rate 1%. Extension to rental property: 1960, ruled to be unconstitutional.	
<b>PUBLIC UTILITY</b>					Surtax of 10%.	Increase of surtax to 20% (1957).		
<b>GASOLINE</b>	Use fuel tax, 5¢/gallon on diesel, etc.		18th Amendment earmarked tax for roads.	Rate increased from 5¢ to 6.5¢. Repeal of fuel oil tax (1947).				Increase in rate from 6.5¢ to 7.5¢.
<b>CIGARETTE AND TOBACCO</b>				Rate increased from 2¢ to 4¢.		Rate increased from 4¢ to 5¢.	Rate increased from 5¢ to 6¢. 25% tax on other tobacco products.	Increase in rate from 6¢ to 7¢.
<b>ALCOHOLIC BEVERAGES</b>		10% war liquor tax (20% total).		Repeal of both 10% liquor taxes. 15% discount for Class H.	10% liquor excise tax.		Liquor tax rate increased from 10% to 15% for consumers (not wine or Class H).	Additional liquor sales tax of 1.1¢ per fluid ounce.
<b>INHERITANCE AND GIFT</b>	Gift tax enacted, rates are 90% of inheritance tax schedule.	Minor rate adjustment in Class A.						Repeal of deduction for federal taxes.
<b>INSURANCE</b>				Rate reductions: foreign to 2%, marine to 0.75%.				
<b>ADMISSION AND AMUSEMENT</b>	Mechanical devices taxed at 10% or 20% of gross yield.	Admission tax given to local government.		Mechanical devices tax rates doubled to 20% and 40% (1947).	Slot machines ruled an illegal lottery (1952).			

### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1965	1967	1969	1970	1971
<b>PROPERTY</b>	47th amendment (1966) allowing exemptions for senior citizens.	Two mills of local school levy shifted to state. \$50 senior citizen exemption. <u>Barlow vs. Kinneer</u> decision provided state with greater assessment equalization power. 1968, 53rd amendment provided current use assessment for open space, timber, and agricultural lands.	State funding of revaluation plan. <u>Carikonen vs. Williams</u> decision required 50% assessment for all property.	Open space law to implement 53rd amendment. <u>Edgewater Inn</u> decision: leases of public property subject to assessment.	\$50 senior citizen exemption replaced by exemption from special levies: \$4,000 and under income receive 100% exemption; \$4,000 to \$6,000 income get 50% exemption. Annual increase in regular levy revenues of local taxing districts limited to 106%, starting with 1974 collections. Expanded exemption for facilities of private schools. Standing timber exempt. Moratorium until 1973 on assessment of leasehold estates. Deduction of selling costs (overruled in 1972). Annual updating of values permitted. Delinquency rate on first \$500 lowered from 10% to 5%.
<b>VEHICLE EXCISE</b>	House trailer rate increased from 1% to 1.5%.	1% aircraft excise replaced by \$15 for single engine and \$25 for multi-engines.			Mobile home and travel trailer tax increased from 1.5% to 2%
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>					
<b>RETAIL SALES AND USE</b>	Rate increased from 4% to 4.2%. Extension to bowling.	Rate increased from 4.2% to 4.5%. Exemption for pollution control facilities. King County authorized to share 2% of state 4.5% tax on hotel and motel accommodations for stadium construction.		Local sales/use tax at 0.5% rate authorized. 2% hotel/motel tax extended to Spokane and Tacoma.	Authorization for local 0.3% sales/use tax in King County for transit purposes. Road construction for state defined as retail sale (before only use tax on materials). Chargeback to prior fiscal year for tax received until August 10th.
<b>BUSINESS AND OCCUPATION</b>	Manufacturers tax credit for sales tax paid on qualified improvements.	76% surtax on basic rate repealed but same 0.44% rate is retained. Radio and TV broadcasting is taxable. Pollution credits up to 50% of cost at 2% per year.	Cut-off for new applications for pollution credits except to meet higher standards.	Tax extended to financial institutions as service.	Cut-off of manufacturers tax credits. Tax of 0.015% on businesses whose products relate to litter. First month delinquency penalty increased from 2% to 5%. 0.25% rate for nuclear fuel assemblies.
<b>PUBLIC UTILITY</b>		20% surtax repealed but same rates are retained: basic 3.6%; gas 2.4%; transit 0.6%; others 1.8%.			Rate for gas distribution increased from 2.4% to 3%.
<b>GASOLINE</b>		Rate increased from 7.5¢ to 9¢.			Special fuel tax enacted on diesel, propane and similar fuels other than motor vehicle fuel (gasoline).
<b>CIGARETTE AND TOBACCO</b>	Rates increased from 7¢ to 11¢ and 25% to 30%.				Cigarette tax increased from 11¢ to 16¢ per pack. Tobacco products tax increased from 30% to 45%.
<b>ALCOHOLIC BEVERAGES</b>	Fluid ounce tax increased from 1.1¢ to 2¢. Beer excise of \$1.50 for cans/ bottles.		Retail sales of wine permitted: 26% excise tax and 10¢ per gallon.		Fluid ounce tax rate increased from 2¢ to 4¢ per ounce.
<b>INHERITANCE AND GIFT</b>	Exemption for state pensions (also teachers in 1961; federal government in 1963).				Payment period is reduced from 15 months to 9 months.
<b>INSURANCE</b>					
<b>ADMISSION AND AMUSEMENT</b>					

### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1972	1973	1974	1975
<b>PROPERTY</b>	Residential improvements up to 30% of value exempt for three years. Approval of SJR 1 constitutionally limiting all regular levies to 1%. Removal of 40% requirement for voter turnout for special levies.	Assessment level increased from 50% to 100% of true and fair value for 1975 collections. <u>Hoppe v. Kinnear</u> decision: SJR 1 effective for 1973 taxes; 20 mill maximum regular levy. Statutory levy rates: for 1974 taxes, 20 mill maximum with no state levy; for 1975 \$9.15 per \$1,000 maximum with \$3.60 state levy for schools. Current use assessment of farm lands based on net cash rental value. Administration of exemptions for nonprofit organizations transferred to state.	Inventories exempt from property tax effective in 1984. Phase-in of exemption for livestock. 8% delinquency rate. Service charge authorized for fire districts. Special levy exemption for senior citizens increased: incomes up to \$5,000 are 100% exempt; incomes \$5,000 to \$6,000 are 50% exempt; incomes up to \$4,000 are exempt from regular levies on first \$5,000 of residential value.	Deferral of taxes allowed for senior citizens with income less than \$8,000. Application fee of \$35 for nonprofit organizations is due every four years.
<b>VEHICLE EXCISE</b>	Pickup campers added to travel trailer excise tax; rate reduced from 2% to 1%.	Permanently affixed mobile homes subject to property tax instead of excise tax.		
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	Timber excise tax on stumpage value; initial rate 1.8%, effective 10/1/72.	Timber tax increased from 1.8% to 3.4%. Leasehold tax of 14% for pre-1970 leases; others taxed as personal property.	Timber tax increased from 3.4% to 6.5% until 12/31/78. Phase-in of distributions based on amount of timber harvested.	
<b>RETAIL SALES AND USE</b>	Deferral for 3 years of sales tax paid by manufacturers on plant improvements.	Local 2% hotel/motel tax for stadiums and convention centers is extended to any city or county.	Exemption for prescription drugs and returnable containers. Local 0.3% transit tax extended to any county.	Hotel/motel tax is restricted to city or county; not both. Local transit tax rates: 0.1%, 0.2%, or 0.3%. Tax is extended to government contractors.
<b>BUSINESS AND OCCUPATION</b>			B&O credit for personal property taxes paid on business inventories: 10% in 1974 to 100% in 1983; no credit after 1983.	Rate reduced to 0.25% for travel agents.
<b>PUBLIC UTILITY</b>				
<b>GASOLINE</b>				
<b>CIGARETTE AND TOBACCO</b>	Possession of unstamped cigarettes is illegal. Vietnam veterans bonus.			Exemption repealed for two cartons of unstamped cigarettes.
<b>ALCOHOLIC BEVERAGES</b>		26% wine tax replaced by 75¢ per gallon tax on wine wholesalers.		
<b>INHERITANCE AND GIFT</b>		Exemption for higher education pensions and certain annuities.		
<b>INSURANCE</b>				
<b>ADMISSION AND AMUSEMENT</b>		State mechanical devices tax is repealed. State regulation and licensing of gambling with local taxation up to 10% of gross.		

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1976	1977	1979	1980
<b>PROPERTY</b>	Approval of constitutional amendment permitting special levies by school districts for two years.	Phase-in of special M&O school levy limit to 10% of prior year expenditure for basic education; to be fully effective by 1981 levies. Senior citizens exemption income limits increased by \$2,000. Ratio study procedures revised; more input from assessors. Revaluation ratio repealed. Seven-year exemption for solar energy facilities.	State regular levy for schools subject to 106% limit. Senior citizen exemption increased: households with income to \$11,000 exempt from all special levies; in addition, those with incomes to \$7,000 exempt from regular levies on the first \$15,000 value of residence. Open space lands exempt from benefit assessments. Regular levy of \$0.25 authorized for emergency medical service.	Senior citizens exemption: 1/3 exclusion for social security is eliminated but income levels are increased by \$3,000; exemption for life estates. Exemption for added value of unconventional energy systems (until 1987) and for gasohol facilities. Compensating tax on open space lands shifted from buyer to seller.  ----- 1% real estate excise tax is a state source as of 9/1/81.
<b>VEHICLE EXCISE</b>		Motor vehicle excise tax increased from 2% to 2.2%. Vehicles licensed all year.		Exemption for ride-sharing vehicles.
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	12% state tax on leases of public property; credit for up to 6% in local taxes.	PUD tax on Hanford nuclear plants changed to 1.5% of wholesale value of energy.	Timber tax reenacted from 1/1/79 to 6/30/81 at 6.5%. Fund A distributions frozen at 80% of timber roll.	Compensating tax on sold timber lands shifted from buyer to seller.
<b>RETAIL SALES AND USE</b>	State rate up from 4.5% to 4.6%, 6/1/76 until 7/1/77. Elimination of revenue chargeback by 1986.	State rate increase of 0.1% is continued two years until 7/1/79. Initiative 345 to exempt food for off-premises consumption approved by voters; effective 7/1/78.	State rate reverts to 4.5%, 7/1/79. Exemption for used mobile homes; but subject instead to 1% real estate excise tax. Local hotel/motel tax may be used for arts centers and tourist promotion.	Maximum transit tax in King County increased from 0.3% to 0.6% if approved by local voters. Exemptions for ride-sharing vehicles, orthotic and ostomic devices, and alcohol used in gasohol.
<b>BUSINESS AND OCCUPATION</b>	Surtax of 6% on all B&O tax rates, 6/1/76 until 6/30/77.	Surtax of 6% is continued two years until 7/1/79. Deduction for minor final assembly.	Surtax of 6% expired, 7/1/79. Minimum taxable amount increased from \$300 to \$1,000 per month. \$1 registration fee replaced by \$25 deposit. Rates reduced to 0.125% for soybean processors and to 0.33% for stevedores and cargo agents. Credit for energy cogeneration facilities.	Exemption for manufacturing and wholesaling of gasohol. Special excise tax on commercial processors of food fish and shellfish is transferred to Department of Revenue, 7/1/80.
<b>PUBLIC UTILITY</b>				Deduction for cost of power produced by cogeneration or from renewable resources.
<b>GASOLINE</b>		Rate increased from 9¢ to 11¢, 7/1/77. Rate may vary between 9¢ and 12¢ starting 1/1/78.	Rate increased from 11¢ to 12¢, 7/1/79. Local gas tax of 2¢ authorized for city of Seattle for bridge construction.	Exemption for alcohol used in gasohol.
<b>CIGARETTE AND TOBACCO</b>				
<b>ALCOHOLIC BEVERAGES</b>				
<b>INHERITANCE AND GIFT</b>			Exemption of \$100,000 for spouse or minor child; \$10,000 for Class B. Revision of Class B and C brackets. Phase-out of community property, 1981-84. Farms and small businesses valued on current use. Gift tax (1/1/80): \$40,000 lifetime exemption; tax rates same as inheritance tax schedule.	
<b>INSURANCE</b>			Exemption for cost of annuities.	
<b>ADMISSION AND AMUSEMENT</b>	\$200 state tax on coin-operated gambling devices.	Local taxes on amusement games limited to 2% of net receipts. Exemption of nonprofit bingo, etc.	Pari-mutuel tax reduced from 5% to 4% or 4.5% for certain horse races.	



## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1981	1982
<b>PROPERTY</b>	Interest rate on delinquent property taxes increased from 8% to 12%, 7/26/81. New penalty of 11% for first-year delinquencies starting in 1982. Foreclosure period is shortened from 5 to 3 years in May 1983. Forest land values adopted by statute for 1982; to be updated by Department based on five-year average stumpage values. Exemption for nonprofit musical and artistic organizations and public assembly halls. Valuation reduction for natural disasters. Levy allowed for park and recreation service areas.	Physical inspection requirement extended to six years, if assessor follows annual updating. Items leased on long-term basis qualify as inventories. Port industrial development levy extended to 12 years. Community redevelopment program allowing public projects to be repaid by increased property tax revenues, if approved by the voters (failed). Authorization for formation of solid waste disposal districts and cultural arts, stadium and convention districts - both with limited authority.  ----- State real estate excise surtax of 4%, 5/1/82, increased to 7% 8/1/82; to expire 6/30/83. Local real estate excise tax of 0.25% may be levied by cities and counties; additional 0.5% may be imposed in lieu of additional 0.5% local sales tax.
<b>VEHICLE EXCISE</b>		Surtax of 4%, 7/1/82, increased to 7%, 10/1/82; to expire 9/30/83. MVET distributions to cities and counties revised to partially equalize disparities in per capita local sales tax receipts.
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	Timber tax for small harvesters based on actual sales receipts instead of stumpage value tables. 6.5% timber tax rate is extended until 6/30/83.	Leasehold and PUD surtaxes: 4%, 4/1/82, increased to 7%, 7/1/82; to expire 6/30/83. Timber tax extended to timber harvested on state and federal lands.
<b>RETAIL SALES AND USE</b>	State rate increased from 4.5% to 5.5%, 12/4/81 - 6/30/83. Due date for monthly excise tax returns is advanced (15th of next month by April 1983). Exemption for nonprofit cultural organizations and youth groups. Manufacturers tax deferral limited to \$30 million investment per taxpayer; program to end 6/30/82. Vending machine food sales: 57% subject to tax. Revenue chargeback advanced from August 10th to July 25th in fiscal 1985.	State rate reduced from 5.5% to 5.4% and tax reimposed on food products (except food stamp purchases), 5/1/82 - 6/30/83. Cities and counties may levy up to 1.0%. Nonresidents exemption fee increased from \$1 to \$5. Credit for sales taxes paid on bad debts, effective 1/1/83. Repayment of manufacturers tax deferral advanced. Prepayment of local sales tax. Hotel/motel tax to fund state convention center: 2% tax on lodgings in King County except within Seattle which is 3% for 1982 and 5% thereafter. Municipal hotel/motel tax of 3% authorized for convention centers.
<b>BUSINESS AND OCCUPATION</b>	Rate changes: cigarette wholesaling increased from 0.176% to 0.44%, 7/1/81; aluminum manufacturing increased from 0.4% to 0.44%, 7/1/81 - 6/30/83; wholesaling of lentils reduced to 0.01%. Dues and charges of youth groups exempt. Deductions for nonprofit cultural organizations and kidney dialysis. Applications for pollution control credits disallowed after 11/30/81.	Surtax of 4%, 4/1/82, increased to 7%, 7/1/82; both to expire 7/1/83. Excise tax registration fee changed from \$25 deposit to \$15 fee. Voluntary estimated tax reporting allowed monthly taxpayers with quarterly reconciliation. Exemption for international banking facilities. Cogeneration credit increased from 2% to 3%. Inventory tax credits for 1983 delayed until fiscal 1984. Disposal of radioactive waste subject to tax of 30%. Municipal business taxes limited to 0.2%.
<b>PUBLIC UTILITY</b>	Competitive telephone services removed from utility tax and subject to B&O and sales tax. County tax of 50¢ per telephone line authorized to fund emergency communication systems.	Surtax of 4%, 4/1/82, increased to 7%, 7/1/82; both to expire 6/30/83. Rate for gas distribution increased from 3.0% to 3.6% (plus surtaxes). Tax applies to electricity sold for resale or consumption out of state. Municipal utility taxes limited to 6%.
<b>GASOLINE</b>	Rate increased from 12¢ to 13.5¢, 7/1/81. Variable rate range increased to 12¢-16¢.	Rate reduced from 13.5¢ to 12¢ under variable rate formula, 1/1/82. Aircraft fuel tax rate increased from 2¢ to 5¢ per gallon.
<b>CIGARETTE AND TOBACCO</b>	Rate increased from 16¢ to 20¢, 7/1/81.	Cigarette tax increased to 20.8¢, 5/1/82 and to 23¢, 8/1/82; tobacco products surtax of 4%, 5/1/82, increased to 7%, 8/1/82; all increases to terminate 6/30/83. Increase in wholesalers and retailers fee; revisions in Unfair Cigarette Sales Act.
<b>ALCOHOLIC BEVERAGES</b>	"Ounce" tax increased from 4¢ per ounce to \$1.72 per liter (equivalent to 5¢/ounce). Beer excise tax increased from \$1 or \$1.50 to \$2.60 per barrel. Wine tax changed from 75¢ per gallon to 20.25¢ per liter.	Liquor sales and liter tax surtaxes: 4%, 5/1/82, increased to 14%, 8/1/82; beer and wine surtaxes: 4%, 5/1/82, increased to 7%, 8/1/82; all increases to expire 6/30/83.
<b>INHERITANCE AND GIFT</b>	State inheritance and gift taxes, except for amount of federal estate tax credit, repealed by the voters 11/81, effective 1/1/82.	
<b>INSURANCE</b>	Advanced payment of estimated premiums tax.	Surtax of 4%, 4/1/82, to expire 6/30/83. All premiums tax rates increased by 0.16%.
<b>ADMISSION AND AMUSEMENT</b>		State lottery established.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1983	1984	1985
<b>PROPERTY</b>	Senior citizens exemption: in 1984, maximum income increased to \$15,000, value exempted increased to \$20,000; starting in 1985, two-step regular levy exemption depending upon income and residential value; annual filing eliminated. Reduced back taxes for nonprofit organizations that lose exempt status. Compensation for local taxing districts with large inventory values, 1984-87. Expanded levy authority for flood control and road service districts.	Exemption granted nonprofit cultural or art education programs. Clarification of exemption requirements. Full amount of delinquent property taxes not due until Oct. 31. Department to assess taxable boats. Current use assessment for conservation rights. Uniform eligibility requirements for senior citizens exemption and deferral.	Valuation standards for open space lands under current use assessment to be established by counties. Fire district and emergency medical service levies revised. Exceptions to school M&O levy limit extended to 1993. Improvements to certified historic properties may be exempt for 10 years.
<b>VEHICLE EXCISE</b>	Permanent tax rate, motor vehicle excise, 2.354%. Aircraft excise tax schedule, \$20-\$125. State excise tax on pleasure boats, 0.5% of fair market value.	Revision made to formula for distribution of MVET equalization. Power boats under 16 feet required to be registered.	Boats under 16 ft. and 10 h.p. exempt from state registration.
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	6.5% timber tax rate extended until 6/30/84. Permanent leasehold excise tax rate, 12.84%; PUD tax, 2.14% of gross revenue plus 5.35% of first 4 mills.	Phase down of timber tax from 6.5% to 5%, 1985 to 1988. County tax of 4% credited against state tax, 7/1/84.	
<b>RETAIL SALES AND USE</b>	State rate increased from 5.4% to 6.5% in 36 counties, effective 3/1/83 (remains at 5.4% in 3 border counties). Tax extended to telephone service except local residential service. Revenue chargeback eliminated on 6/30/85.	Maximum transit tax increased from 0.3% to 0.6%. Municipal hotel/motel tax of 3% repealed. Exemption for used floating homes. Exemption for trade-ins adopted by initiative, effective 12/06/84.	Lower state rate in 3 border counties disallowed by the Court, effective 1/1/85. Sales tax deferral programs for new manufacturing or R&D firms; applications through 1986 or 1991. Tax may be included in advertised price. Exemptions for gold bullion and feed for commercial fish raising. Use tax on rental value.
<b>BUSINESS AND OCCUPATION</b>	Permanent tax rates effective 7/1/83; mfg., wholesaling 0.484%; retailing 0.471% (except 0.581% in 3 border counties); insurance 1.1%; service and other 1.5%. Exemption for nonproprietary income of local government and out-of-state direct sellers. Estimated reporting for monthly taxpayers dropped and due date moved back to 25th of following month in April 1985.		Exemptions for raising of animals under contract, commercial production of fish, and all business receipts of nonprofit arts organizations. Rate reduction for meat processing. Credit for B&O taxes paid by Washington manufacturers or extractors in other states.
<b>PUBLIC UTILITY</b>	Permanent tax rates effective 7/1/83: most utilities, 3.852%; urban transit, 0.642%; motor transportation and other, 1.926%.		Rate increase for water distribution from 3.852% to 5.029%, 7/1/85. Activities transferred from B&O tax: sewerage, 3.852% and garbage collection, 5.029%.
<b>GASOLINE</b>	Rate increased from 12¢ to 16¢, 7/1/83. Variable rate calculation repealed. Minimum rate of 5¢ per gallon for aircraft fuel tax.	Rate increased from 16¢ to 18¢, 7/1/84.	
<b>CIGARETTE AND TOBACCO</b>	Permanent tax rate 23¢ per pack; tobacco products, 48.15%.	Revisions in Unfair Cigarette Sales Act: manufacturers' discounts passed on to retailers.	
<b>ALCOHOLIC BEVERAGES</b>	Permanent tax rates effective 7/1/83: liquor sales 17.1% (Class H, 11.4%); liquor liter, \$1.9608; beer excise, \$2.782 per barrel; wine excise, 21.6675¢ per liter.		
<b>OTHER TAXES</b>	Permanent tax rates: state real estate excise tax, 1.07%; conveyance tax, 53.5¢ per \$500; insurance premiums - domestic, 1.21%; foreign, 2.25%; ocean marine, 0.9464%. Uniform unclaimed property act adopted. Hazardous waste tax on selected industries identified by Department of Ecology.	County tax authorized for nonresident employees, 7/1/85.	Conveyance tax increased from 53.5¢ to \$1.00 per \$500. Annual assessment of 0.12% on retailers of new replacement vehicle tires for DOE. Definitional changes for fish privilege tax.

### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1986	1987	1988
<b>PROPERTY</b>	Revision to 106% limit override provisions. Clarification of historic property exemption. Interstate commerce vessels and commercial fishing boats are exempt if in the state for less than 120 days per year. Levies for school capital purposes may be for up to 6 years.	Reports no longer required: listing of exempt assembly halls, impact of open space program, revaluation progress. Adjustments to state levy clarified. Valuation of motor transportation shifted to assessor. Special M&O school levy limit raised from 10% to 20% of budget; equalization procedure established. Senior citizens exemption income limits increased. Exemptions: leased arts facilities, student loan organizations, dialysis facilities.	Head of household exemption increased from \$300 to \$3,000. State levy excluded from proration; assistance to small counties to avoid proration.
<b>VEHICLE EXCISE</b>		Motor vehicle excise tax increased from 2.354% to 2.454%, January 1989 through December 1990.	
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	Leasehold excise tax credit for the amount that the tax exceeds the equivalent property tax.	Timber tax minimum increased from \$10 to \$50 per quarter; special products allowed small harvester option.	
<b>RETAIL SALES AND USE</b>	Expansion of 1985 sales tax deferral for manufacturers and R&D. Exemptions for hearing aids, livestock for consumption, feed for animals at public livestock markets, material for producing ferrosilicon.	Exemptions for food stamp purchases, fishing boat fuel, state ferry fuel, and Christmas tree production materials. Manufacturers deferral includes aluminum plants. Corporate officers sales tax liability. Revenue chargeback (July 10th) eliminated; fiscal year accounting ends on June 30th.	Sales tax deferral for manufacturing expansions extended through FY 1994. Tax extended to prepared food items. Nonresident permit eliminated as of July 1989. State convention center tax on hotel/motels in King County increased from 5% and 2% to 6% and 2.4%, 7/1/88.
<b>BUSINESS AND OCCUPATION</b>	Credit of \$1,000 for each qualified new employee of manufacturing or R&D firms in distressed counties, effective 4/1/86 - 6/30/88.	Multiple activities exemption repealed; credit for manufacturing tax against selling tax. Credit for B&O tax paid in other states by manufacturers. Rate reduction for pearl barley. Exemptions for Christmas trees, conditioning of seed, processed hops, student loan organizations and adult family homes.	Total exemption for sheltered workshops.
<b>PUBLIC UTILITY</b>	Warehousing transferred from public utility to B&O tax. Garbage collection removed from public utility tax and subject to new tax of 3.6% collected from the customer, 6/1/86.	Sewerage collection does not include transfer and processing; these are subject to B&O tax.	
<b>GASOLINE</b>			
<b>CIGARETTE AND TOBACCO</b>	Rate increased for cigarettes, 23¢ to 31¢, and tobacco products 48.15% to 64.9% earmarked for water quality programs, effective 4/1/86. Changes in Unfair Cigarette Sales Act; to expire in 1991.	Sellers' compensation increased from \$1.85 to \$4.00 per 1,000 stamps.	
<b>ALCOHOLIC BEVERAGES</b>			
<b>OTHER TAXES</b>	Insurance premiums tax rates: 2% for both foreign and domestic companies, 0.95% for ocean marine; effective 7/1/86.	Conveyance tax repealed; incorporated with real estate excise tax with rate increase from 1% to 1.34%. Previous hazardous waste tax replaced by 0.8% tax on wholesale value of selected chemicals and other substances. Fee of \$5 on new wood stoves; collection by DOR. Local hotel/motel tax of 2% for Pierce County.	Local hotel/motel taxes authorized for Spokane, Yakima, Ocean Shores and Pierce and Thurston Counties.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1989	1990	1991
<b>PROPERTY</b>	Revision in exemption for retirement homes for the aged; percentage of exemption depends upon number of residents that would qualify for senior citizens exemption. Various changes that affect property tax administration including authority to pay the tax with credit cards.	Aggregate levy rates of all local taxing districts increased from \$5.55 to \$5.90/\$1000 to relieve prorationing. Special valuation of historic property extended permanently. Exemption for nonprofit shelters for homeless persons. Special levies allowed for hospital and metropolitan park districts. Personal property ratio - may use prior year assessment roll.	Senior citizen exemption income and home value limits increased. Exemption for custom computer software; canned software subject to tax for only the first two years after acquisition.
<b>VEHICLE EXCISE</b>		Rate reduced from 2.454% to 2.2%. Valuation schedules revised and transferred from Department of Revenue to Licensing. Local MVET of 0.8%.	
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>		Leasehold tax exemption extended to "officers row" at Fort Vancouver.	
<b>RETAIL SALES AND USE</b>	A special use tax equal to the public utility tax rate of 3.852% is imposed on natural gas purchased from out of state via brokers.	Local sales taxes authorized: 0.1% for 6 counties for criminal justice programs and 1% for high capacity transportation funding. Monthly, rather than bimonthly, distributions of local sales tax receipts, 7/1/90.	Exemption for oxygen concentration equipment. Local sales tax (0.1%) for criminal justice extended to Yakima County. Local sales tax of 0.1% authorized for public facility districts (i.e., Spokane County).
<b>BUSINESS AND OCCUPATION</b>	B&O deduction for nonprofit trade shows and educational seminars.	Rate on disposal of low-level radioactive waste reduced from 33% to 16.5%, 3/13/90. Exemption for small timber harvesters. Electronic transfer of state excise tax payments for large taxpayers, starting 1/1/91.	Rate for disposal of low-level radioactive waste reduced from 16.5% to 11%, 5/20/91; further reduced to 5.5%, 1/1/92 and to 3.3%, 7/1/93. Excise tax interest rates tied to short-term federal rate: for delinquencies, +2% and for refunds, +1%.
<b>PUBLIC UTILITY</b>	Basic rate on electrical power increased from 3.852% to 3.873% to make up for the inability to tax power sold out of state.	Deduction for payments to builders and owners of new residences for meeting energy code requirements.	
<b>GASOLINE</b>		Rate increased from 18¢ to 22¢, 4/1/90; rate increased to 23¢, 4/1/91. Local gas tax authorized rate to equal 10% of state rate.	
<b>CIGARETTE AND TOBACCO</b>	Cigarette tax increased from 31¢ to 34¢, effective 6/1/89, with receipts earmarked for drug enforcement and education programs.	\$250 penalty for possession of unstamped cigarettes.	
<b>ALCOHOLIC BEVERAGES</b>	Taxes increased to fund drug programs: (1) wine tax from 21.92¢ to 22.92¢ (or 45.36¢); (2) beer tax from \$2.78 to \$4.78; (3) additional tax of 7¢ per liter on hard liquor.		
<b>OTHER TAXES</b>	New tax on petroleum products; 0.5% of wholesale value, effective 7/1/89. New tax of 1% on customers of solid waste collection firms, effective 7/1/89. New tax on soft drinks of 1¢ per 12 ounces (or 75¢ per gallon of concentrated syrup) effective 7/1/89 with receipts dedicated to drug programs. Assessment of 0.12% on new replacement vehicle tires is replaced with fee of \$1.00 per tire effective 10/1/89.	Wood stove fee increased from \$5 to \$15. Local employer tax of \$2 authorized. New fees on generators of hazardous waste: \$35 due 10/1/90 plus an unspecified fee, 7/31/91. Mobile home fee replaced by \$65 fee on transfer of title. \$1 lot fee to expire on 12/31/90. Local real estate excise taxes: 0.25% for comprehensive planning and 1% for acquisition of conservation lands.	New tax on crude oil and petroleum products imported via water: 5¢ per 42-gallon barrel. Air pollution fees levied by DOE upon polluters; collection by DOR. Wood stove fee increased from \$15 to \$30, 1/1/92. New tax levied upon hospitals, equal to 20% of Medicaid receipts. Pari-mutuel tax rates reduced, 5/20/91.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

1992

1993

<b>PROPERTY</b>	Maximum income for senior citizens exemption increased from \$18,000 to \$22,000. Renewal applications for senior citizen exemption required every four years. New category for current use assessment: farm conservation land; other changes to the program requirements.	The state to collect the state levy on commercial vessels, starting 1/1/94. Additional local levy of 50¢ to fund low-income housing programs. Various changes to the formula for exemption of homes for the aging. Exemption for nonprofit, nonsectarian fund-raising. Assessments to reflect "governmental policies," e.g., growth management requirements.
<b>VEHICLE EXCISE</b>	Rental cars exempt from MVET.	
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>		
<b>RETAIL SALES AND USE</b>		Tax base extended to selected services including landscape maintenance, guided tours, rental of equipment with operator, physical fitness, massage and certain other personal services. The 0.1% local sales tax for criminal justice is extended indefinitely and the levying authority expanded to any county. Sales tax deferral for manufacturers locating in economically distressed areas broadened to include neighborhood reinvestment areas. Prescription drug exemption expanded to include birth control. Exemption for ride-sharing vehicles broadened to include passenger cars which carry as few as five persons. Provisions concerning resale certificates tightened and 50% penalty established for improper use.
<b>BUSINESS AND OCCUPATION</b>	Litter tax revised to allow a taxable percentage of income for an industry's litter products.	New, permanent B&O rate classifications: business services at 2.5% and financial services at 1.7%; the permanent rate for all other services increased from 1.5% to 2%, effective 7/1/93. Temporary surtax of 6.5% applied to most B&O classifications (except business and financial services, retailing, and public/nonprofit hospitals) for four years, effective 7/1/93. B&O tax extended to income of public and nonprofit hospitals; tax rate is 0.75%, 7/1/93 through 6/30/95 and 1.5% thereafter. Credit for jobs created in distressed areas broadened to include neighborhood reinvestment areas and timber impact areas. Magazines removed from printing/publishing classification. Health maintenance organizations removed from B&O tax and subject to new insurance premiums "prepayment" tax of 2%, effective 1/1/94. Exemptions established for credit/debt counseling services and foreign branch campuses.
<b>PUBLIC UTILITY</b>		Deduction for income relating to construction by municipal utilities is repealed.
<b>GASOLINE</b>		
<b>CIGARETTE AND TOBACCO</b>		Cigarette tax increased from 34¢ per pack: to 54¢, 7/1/93; to 56¢, 7/1/94; to 74¢, 7/1/95; and to 75¢, 7/1/96. Tobacco products tax increased from 64.9% to 74.9%, effective 7/1/93. Additional receipts dedicated to health care funding.
<b>ALCOHOLIC BEVERAGES</b>		Various liquor taxes increased on 7/1/93, 7/1/95 and 7/1/97, to provide funding for health care: liquor sales tax, from 17.1% to 18.7%, to 19.7% and to 20.5%; liquor sales tax (Class H purchasers), from 11.4% to 12.5%, to 13.1% and to 13.7%; liquor liter tax from \$2.031 per liter to \$2.231, to \$2.331 and to \$2.441; and beer excise tax from \$4.782 per barrel to \$5.742, to \$7.172 and to \$9.562.
<b>OTHER TAXES</b>	New state tax of 5.9% and authorization for county taxes of 1% levied on rental of passenger vehicles for periods less than one month. Medicaid tax on hospitals is terminated by action of federal OMB; similar tax extended to intermediate residential health care facilities for the mentally retarded.	Fish tax rates increased, effective 1/1/94. Real estate excise tax applied to transfers of the controlling interest in real property; exemption for sales to government is repealed. Local hotel/motel tax of 2% authorized for Pasco and Cowlitz County; maximum rate of tax in Yakima County increased from 2% to 3%. Tax on facilities for mentally retarded persons reduced from 15% to 6%. Insurance premiums tax credit for assessments to cover liability of insolvent companies is repealed.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1994	1995
<b>PROPERTY</b>	Authorization for local committee to be established in each county to determine funding of revaluation efforts. Park and recreation levies increased from 15¢ to 60¢ per \$1,000. Exemption renewals for nonprofit organizations required annually instead of every four years. Maximum income for qualified recipients of senior citizen exemption increased from \$26,000 to \$28,000; future limit tied to rate of inflation.	State levy rate reduced by 4.7% for 1996 collections only. Senior citizens exemption and deferral income levels increased. Residential values of eligible senior citizens frozen at 1/1/95 levels.
<b>VEHICLE EXCISE</b>		
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	Purchasers of private timber required to report pertinent data to DOR.	Short-rotation hardwoods, e.g. cottonwoods, subject to property tax instead of timber excise tax. Requirements for small timber harvester expanded.
<b>RETAIL SALES AND USE</b>	New sales tax deferral programs for high-technology firms for research and development facilities and pilot scale manufacturing plants. Sales tax deferral for manufacturers expanded: one new job for each \$750,000 of investment; includes leased structures, machinery with construction, locations adjacent to distressed areas if 75% of the employees live in the distressed area, areas designated by the Governor which experience natural disasters or abnormal economic impacts, etc. Exemption from tax on physical fitness services for nonprofit youth organizations. Equalization provided for local transportation sales/use tax; MVET funds to be used to provide additional funding for those districts which receive less than 80% of the state average per capita local tax.	Exemption established for machinery/equipment purchased by manufacturers, effective 7/1/95. Statewide sales tax deferral for new manufacturing firms repealed; expansion to distressed area deferral program and the 1994 high tech deferral converted to outright exemption. New 0.1% local sales tax for correctional facilities. Local sales tax authority for public facilities districts expanded to any county (formerly only Spokane). Sales tax deferral for construction of professional baseball stadium and thoroughbred horse racing track. Equalization program for local transit taxes. Funding of professional baseball stadium: local sales tax of 0.017% applied on all sales throughout King County; amounts credited against state 6.5% sales/use tax.
<b>BUSINESS AND OCCUPATION</b>	Minimum taxable amount of \$1,000 per month replaced by credit of up to \$35 per month against the computed tax liability. Tax credit for high-technology firms for research and development expenditures. Reduction in B&O surtax rate from 6.5% to 4.5%, effective 1/1/95. Magazines restored to printing and publishing classification. Tax credit for expenditures for ride-sharing programs by large employers in the eight largest counties.	Rate reduction for insurance agents/brokers and international investment management firms.
<b>PUBLIC UTILITY</b>	Tax credit for expenditures for ride-sharing programs by large employers in the eight largest counties. Deduction established for electric power firms whose customers are geographically dispersed.	
<b>GASOLINE</b>	Exemption for gasohol repealed.	
<b>CIGARETTE AND TOBACCO</b>	The 3¢ rate for drug education is increased to 10.5¢, effective 7/1/95.	Administrative revisions for cigarette tax collection; precollection of the tax by wholesalers, stamps required for nontaxed cigarettes for Indian consumption; requirements for transporting cigarettes tightened.
<b>ALCOHOLIC BEVERAGES</b>	Liquor taxes that fund drug education are extended indefinitely.	
<b>OTHER TAXES</b>	Tax on carbonated beverages allowed to expire as scheduled on 7/1/95; however, the tax on "syrup" for carbonated beverages will then be extended indefinitely and the rate increased from 75¢ to \$1.00 per gallon. Local hotel/motel taxes authorized for Snohomish County and the city of Ilwaco. New fee established on metals mining and processing; DOR to administer.	Two new local taxes in King County to fund professional baseball stadium: 0.5% tax on restaurant/bar sales and additional 2% car rental tax. King County may levy a 10% admissions tax on professional baseball stadium events. New tax of 2% on hotels/motels within Seattle adopted to finance expansion of convention center, effective 1/1/2000; tax credited against state sales tax. Various new local hotel/motel taxes authorized.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

1996

1997

	1996	1997
<b>PROPERTY</b>		State levy rate reduction of 4.7187% extended to 1997. Referendum 47 approved by the voters in November 1997. It will: (1) limit future increases in assessed values of real property generally to 15% per year; (2) reduce the 6% limitation on growth in regular levy receipts for most taxing districts to the rate of inflation; and (3) permanently extend the 4.7187% reduction in the state levy rate. New exemption for parcels of real property and personal property accounts valued at less than \$500. Allowable uses of exempt public assembly halls or meeting places are broadened. Exemption for intangibles is clarified and certain types of intangibles are specifically included in the exemption (e.g., trademarks, patents, etc.), effective for valuations starting on 1/1/98. Exemption for certain sales at nonprofit camps and conference centers. Authorization for four-year M&O school levies approved by the voters in November 1997.
<b>VEHICLE EXCISE</b>		
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>		
<b>RETAIL SALES AND USE</b>	Manufacturing machinery exemption expanded to include repairs and R&D equipment. Exemption for materials used in design and development of aircraft parts. Distressed areas sales tax deferral/exemption expanded to cover counties with low median household income.	Remittance for state sales tax paid on construction and equipment purchased for use in certain large warehouse facilities and retail distribution centers. New exemptions for coal-fired, electric generating plants (Centralia) including construction and repair of air pollution control facilities and coal consumed in such facilities. Retail sales tax on mobile homes to be collected by the retail dealer rather than the county auditor. Exemption for certain sales at nonprofit camps and conference centers. New local sales/use tax of 0.04% authorized for economically distressed rural counties, effective 7/1/98; receipts are credited against state sales/use tax. Use tax exemptions for vessel manufacturers and dealers allowing incidental (but not personal) use of boats. Financing of professional football stadium: effective 8/1/97 a new local sales/use tax of 0.016% will apply to transactions in King County with the receipts credited against the state tax. Also, sales tax will be deferred on construction costs and parking at the facility will be exempt from sales tax.
<b>BUSINESS AND OCCUPATION</b>	Permanent service classification rates reduced, effective 1/1/96: business services from 2.5% to 2%; financial services from 1.7% to 1.6% and all other services from 2% to 1.75% (plus surtax). B&O jobs credit doubled to \$2,000 per FTE. New tax credit for training costs of employers in distressed areas. Expansion of tax credits for ride-sharing expenditures of employers. Small firms need not file tax returns unless annual income equals or exceeds \$24,000.	Complete rollback of all B&O service rates to 1.5%, effective 7/1/98, thereby reversing the 1993 rate increases. B&O jobs credit is increased from \$2,000 to \$4,000 if firms can demonstrate that the new positions are paid at least \$40,000 annually. Jobs credit expiration date (7/1/98) is repealed and the \$300,000 cap per firm is eliminated; program limit of \$15 million per biennium is reduced to \$11 million for 1997-99. Simplified small business credit, allowing use of a ranged table instead of calculating the \$35 credit amount. Cubing of hay and alfalfa is removed from manufacturing tax. Exemption for vehicles sold by manufacturers at wholesale auto auctions.
<b>PUBLIC UTILITY</b>	Tax rate for railroads reduced from 3.852% to 1.926% (including surtax). Expansion of tax credits for ride-sharing expenditures of employers. Deduction expanded for power companies with geographically dispersed customers. Small firms with annual incomes of less than \$12,000 don't have to register for tax purposes; tax returns need not be filed unless annual income equals or exceeds \$24,000.	Exemption for small water districts with high rates for residential water service.
<b>GASOLINE</b>		
<b>CIGARETTE AND TOBACCO</b>		Enforcement (not collection) of cigarette and tobacco products taxes transferred from DOR to Liquor Control Board.
<b>ALCOHOLIC BEVERAGES</b>		Beer excise tax rate reduced by \$1.48 per barrel.
<b>OTHER TAXES</b>	New local hotel/motel taxes authorized.	Revision in local hotel/motel taxes; instead of state-shared 2% tax plus specified additional taxes of 2% - 3%, <u>any</u> city or county may levy up to 4% with credit against the state tax limited to 2%. Collection of metals mining fee transferred from DOR to DOE. Revision in application of interest for excise taxes. New local taxes for financing a professional football stadium: extension of hotel/motel tax; county admission tax of 5%; and county tax of 10% on parking.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	1998	1999	2000
<b>PROPERTY</b>	Senior citizens exemption income and valuation limits are increased for taxes due in 1999. Valuation of commercial vessels and steamboat companies revised.	Local regular levies for medical services extended. New exemption for low-income rental housing owned by nonprofits.	Property tax exemption for motor vehicles clarified. Initiative 722 approved by voters: limits increase in taxes for individual properties and growth in taxing district revenues; ruled unconstitutional in 2001.
<b>VEHICLE EXCISE</b>	Proposed reduction in MVET if voters approve Referendum 49 in November 1998: a credit of \$30 per vehicle would be allowed and the depreciation schedule for taxable vehicle values would be reduced in the second and third years.	Motor vehicle excise tax repealed by the voters (I-695), eff. 1/1/2000.	Although I-695 was ruled unconstitutional, the Legislature also replaced the MVET and camper/travel trailer excise taxes with a \$30 license fee.
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>		Timber tax credit, effective 1/1/2000, for harvests impacted by salmon regulations. The credit effectively reduces the tax from 5% to 4.2%.	
<b>RETAIL SALES AND USE</b>	Elimination of requirement for purchasers of exempt manufacturing machinery to report to the Department. Taxation of computer software is clarified. Comprehensive exemption for fundraising income of nonprofit organizations. Repayment of deferred sales tax on horse racing facility extended by five years. Four-year deferral of sales tax allowed for construction of second bridge across Puget Sound at the Narrows.	Sales tax exemption for manufacturing machinery clarified with respect to logging and rock crushing equipment; exemption extended to testing equipment. Distressed area sales tax deferral/exemption program changed from unemployment basis to population density basis. Authorization for local sales tax (credited against the state tax) of 0.04% changed from unemployment basis to population density basis; maximum rate increased to 0.08%. New local sales tax of 0.2% authorized for public facility districts to finance convention centers; also state-credited 0.033% sales tax. New local sales tax of 0.1% authorized in Pierce County to finance zoos. Exemption for costs related to certain landslides.	Exemption for agricultural field burning equipment. One additional community empowerment zone authorized. Maximum local sales tax for transit increased from 0.6% to 0.9%.
<b>BUSINESS AND OCCUPATION</b>	Consolidation of specialized B&O tax rates: 0.011% rate for grain wholesaling eliminated and other activities shifted to lower rates, effective 7/1/98. Tax on internal distributions repealed, effective 7/1/98. Tax on royalty income reduced from 1.5% to 0.484%, effective 7/1/98. New tax credit of \$3,000 annually for five years for new employees of firms engaged in international services. Comprehensive exemption for fundraising income of nonprofit organizations. Exemption for wages paid to on-site personnel by property management firms, if paid by the property owner.	Existing B&O jobs credit in distressed areas changed to population density basis. New tax credit for employees that produce computer software in rural counties. New tax credit for income derived in rural counties from providing help-desk services to third parties. Existing tax credit for commute trip reduction program extended by six years to 6/30/2006.	Deduction for wholesale sales of electric power.
<b>PUBLIC UTILITY</b>		Tax credit for certain contributions by electric power companies in rural counties relating to economic development.	Deduction for wholesale sales of electric power.
<b>GASOLINE</b>			
<b>CIGARETTE AND TOBACCO</b>			
<b>ALCOHOLIC BEVERAGES</b>			
<b>OTHER TAXES</b>	Litter tax will be reported on each tax return filed by taxpayers, rather than annually, starting 1/1/99. Collection of enhanced 911 telephone tax shifted to Department of Revenue, effective 1/1/99. Reduction in pari-mutuel tax rates.	Real estate excise tax extended to step transfers. Fish tax rate on sea urchins/cucumbers increased.	



### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	2001	2002	2003
<b>PROPERTY</b>	Farm machinery exempt from state levy. DOR to collect deferred property taxes by eligible senior citizens, instead of county treasurers. Authorization for community revitalization (tax increment) financing using local taxing district levies; does not apply to state levy. Voters approve Initiative #747 limiting growth in regular levies to 1% each year.		
<b>VEHICLE EXCISE</b>			
<b>TAXES IN LIEU OF PROPERTY TAX</b>	Timber tax exemption - growing cycle for exempt hardwoods extended from 10 to 15 years.	Local MVET of 2.5% authorized to finance monorail system. Voters approve Initiative #776 repealing local MVET for mass transit.	
<b>RETAIL SALES AND USE</b>	Change regarding resale certificates for certain taxpayers - collection of information electronically. Direct pay permits for remitting of use tax by certain taxpayers. Exemption for pharmaceuticals for livestock. Exemptions for chicken producers - fuel for heating and bedding materials. Exemptions for dairy producers - nutrient management systems and manure digesters. Exemption for pollution control equipment for electrical "peaking" plants.	New local taxes authorized: 0.1% for emergency communication systems and 0.5% for regional transportation improvements. Proposed 1% sales tax on motor vehicles to finance statewide transportation improvements defeated by the voters.	Rate increased by 0.3% for sales and leases of new and used motor vehicles, effective 7/1/2003. Implementation of major provisions of Streamlined Sales Tax Agreement, making Washington's tax base more uniform with other states. New exemptions for construction and computer expenses of airplane manufacturers. New exemptions for construction and certain chemicals of semiconductor manufacturers. New exemptions for producers and sellers of biodiesel and wood biomass alternative fuels.
<b>BUSINESS AND OCCUPATION</b>	Rate reduction for processors of dairy products. Deduction for public and nonprofit hospitals for Medicare income from managed care organizations. Exemption for used vehicles sold at wholesale auto auctions; auto dealers to collect B&O tax on "courtesy" sales made by out-of-state dealers. Tax credit for public utility tax paid by direct service industries.		Due date advanced five days for monthly state excise tax reports to 20th of following month. Tax credit for commute trip reduction restored. Rate reduction and new tax credits for aerospace industry, relating to production of a "super efficient" airplane. Rate reduction and tax credit for new employees for the semiconductor industry.
<b>PUBLIC UTILITY</b>	Tax credit for tax paid by electric utilities that service direct service industries. Tax credit for electric and gas utilities for billing discounts to low-income households. Deduction for expenditures for water efficiency.		Tax credit for commute trip reduction restored.
<b>GASOLINE</b>		Proposed increase in gas tax from 23¢ to 32¢ defeated by the voters.	Rate increased from 23¢ to 28¢, effective 7/1/2003.
<b>CIGARETTE AND TOBACCO</b>	Authorization for the state to enter into contractual agreements with certain Indian tribes providing for tribal cigarette taxes. Voters approve Initiative #773 increasing cigarette tax to \$1.425 and tobacco products tax to 129.4%.		New reporting requirements for manufacturers of tobacco products and out-of-state vendors selling to Washington residents.
<b>ALCOHOLIC BEVERAGES</b>			
<b>OTHER TAXES</b>		Wireless telephone lines: new state tax of 20¢ per month and county tax increased from 25¢ to 50¢ per month. New local real estate excise tax of 0.5% authorized for affordable housing.	New fee for nursing homes of \$6.50 per patient per day; DOR to collect. New local lodging fee of \$2 per night; DOR to collect.

### Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	2004	2005
<b>PROPERTY</b>	Increase in income and assessed value limits for senior citizens/disabled persons property tax exemption. New property tax levy of 50¢ authorized for criminal justice funding, but only for counties with up to 90,000 residents. Fire districts authorized to form regional fire protection service authorities.	New exemption program for widows/widowers of veterans, similar to senior citizens/disabled persons property tax exemption.
<b>VEHICLE EXCISE</b>		
<b>TAXES IN LIEU OF PROPERTY TAX</b>	Phase-out of state timber tax on public lands; commensurate phase-in of county tax, so that by 2014 the state and county taxes on both private and public lands will be identical. Property tax exemption for standing timber extended to timber on state lands (private and federal lands are already exempt).	
<b>RETAIL SALES AND USE</b>	Deferral of sales tax on construction of eligible R&D facilities and equipment for firms in five "high technology" industries extended to end of 2014; also state universities are added to the program. Deferral of sales tax on eligible construction and equipment purchases by manufacturers in rural counties and CEZs extended by six years until end of FY 2010; also Island County added to the program. Tax credits for sales tax paid by aluminum smelters through 2006. New exemptions for computer equipment used by printers and publishers.	Deferral/exemption extended to fruit and vegetable processing and cold storage facilities. Expansion of the existing tax remittance program for cold storage warehouses. Existing sales and property tax exemptions and B&O tax credits for field burning equipment are replaced by a new sales tax exemption for specific types of agricultural equipment.
<b>BUSINESS AND OCCUPATION</b>	Tax credit for R&D expenditures by firms in five "high technology" industries extended until end of 2014; calculation of the amount of credit is revised. Tax credits for computer software development firms and help-desk services that locate in rural counties extended through 2010. Tax rate reduced for licensed adult boarding homes from 1.5% to 0.275%; deduction allowed for Medicaid receipts. Tax rate reduced from 0.484% to 0.2904% for aluminum smelters through 2006. Tax credit for property taxes paid by aluminum smelters through 2006. Tax credits for firms that supply power to aluminum smelters. New exemptions established for federal grant receipts related to the small business innovation research program and the small business technology transfer program. Deduction allowed for wholesale meat processors exempting all income associated with processing beef, as long as certain import bans by other counties remain in effect. Deduction for governmental grants associated with salmon restoration programs.	New B&O tax on games of chance and pari-mutuel wagering to fund problem gambling program; tax rate is 0.1% through FY 2006, then 0.13%. Total exemption for income related to processing fresh fruit and vegetables, if the products are shipped outside the state. B&O rate reduction for manufacturing of solar energy systems; rate drops from 0.484% to 0.2904% for a ten-year period.
<b>PUBLIC UTILITY</b>	Tax credit for electric companies for contributions to rural economic development is extended by six years to 2011; various other changes to the program. Tax credits for purchases of power by aluminum smelters.	New tax incentive to encourage use of renewable energy resources; customers that invest in such technologies may receive an investment cost recovery of up to \$2,000 from the energy supplier, who in turn may credit these payments against public utility tax liability.
<b>GASOLINE</b>		Phased-in increase in gas tax: from 28 cents to 31 cents, 7/1/2005; to 34 cents, 7/1/2006; to 36 cents, 7/1/2007; and to 37.5 cents, 7/1/2008. Aircraft fuel tax rate increased from 10 cents to 11 cents per gallon.
<b>CIGARETTE AND TOBACCO</b>		Increase of 60 cents in cigarette tax, bringing total to \$2.025 per pack. Tobacco products tax rate rolled back from 129.42% of the wholesale price to 75%, with a maximum tax of 50 cents per cigar. New type of cigarette tax agreement with the Puyallup tribe in which the state will receive 30% of the tribal tax receipts.
<b>ALCOHOLIC BEVERAGES</b>		Liquor liter tax increased from \$2.44 to \$3.77 per liter.
<b>OTHER TAXES</b>	Gift certificates exempt from reporting as unclaimed property.	Washington's estate tax, consisting of the federal estate tax credit for state estate taxes, was ruled unconstitutional by State Supreme Court on 2/3/2005. A new stand-alone estate tax was enacted, effective 5/17/2005. Nursing home quality maintenance fee (\$6.50 per patient per day) phased out over six years; the fee will be repealed on 7/1/2011. Changes in reporting of state real estate excise tax by counties; development of new electronic reporting system and receipts to be forwarded to State Treasurer on last day of the month starting in July 2006. New fee of \$1 per tire on replacement vehicle tires; starts July 2005 and runs for five years.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	2006	2007
<b>PROPERTY</b>	Exemption for personal property of heads of households is increased from \$3,000 to \$15,000 if HJR 4223 is approved by the voters. Increased assessed value of wind turbines exempt from levy limits. Levy for passenger ferry service broadened to any ferry service.	Constitutional amendment authorized to repeal the super-majority voting requirement for special school levies, subject to approval by the voters in November 2007. Application fees for property tax exemption for nonprofit organizations eliminated. In November State Supreme Court ruled that Initiative 747 limiting the growth in regular property tax levies to 1% annually is unconstitutional; Legislature responded by enacting a new 1% limit. New property tax deferral program with no age restrictions enacted; homeowners with income up to \$57,000 may defer one-half of their annual property taxes up to 40% of the equity value in the residence.
<b>VEHICLE EXCISE</b>		
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>	Local MVET authorized for regional transp. investment district. New statutory depreciation schedules for local motor vehicle excise taxes.	Contractual agreement with Quinault tribe to allow a tribal timber excise tax on timber harvested on the reservation, instead of the state timber excise tax.
<b>RETAIL SALES AND USE</b>	Exemption for diesel and aircraft fuel used on farms. Exemption for nutrient mgmt. systems extended to all livestock feeding facilities. Exemption for aluminum smelters extended for five years. Exemption for aerospace computer purchases broadened. Exemption for solar hot water heating equip. New deferral/exemption for biotechnology manufacturing facilities. Exemption for gasses and chemicals for producers of semiconductor materials broadened. Clarification of sales tax on services for insurance companies. Deferral/exemption program for fruit vegetable processors extended to processors of dairy and seafood products. Tax increment financing: (1) new state-credited local sales tax for infra-structure financing related to hospital benefit zones, and (2) new state-credited local sales tax for local infrastructure financing relating to economic development. Max. rate for local sales tax for regional transp. investment district reduced to 0.1%. New local sales tax to finance municipal services in annexation areas. Exemption for equipment to facilitate use of auxiliary power by heavy duty truckers at truck stops.	Final adoption of Streamlined Sales and Use Tax Agreement to make administration of sales tax more uniform throughout the nation. The agreement requires destination-based sourcing of tax on delivered goods; a mitigation program for adversely impacted local jurisdictions is included in the bill. New sales/use tax exemptions for boats either purchased by or already owned by nonresidents for up to one year, if a use permit is purchased. Innovative Partnership Zones – may qualify for funding under the "LIFT" program or the rural county local sales tax. Authorization of new 0.2% local sales tax for health sciences authority. Exemption for agricultural machinery parts is broadened to include repairs. New exemption for electronically transmitted financial data. Rate of local sales tax for rural counties is increased from 0.08 to 0.09%.
<b>BUSINESS AND OCCUPATION</b>	Due date for monthly excise taxpayers moved back five days to the 25th of the following month. Reduced tax rate and credit for property taxes for aluminum smelters extended for five years. Reduced tax rate for manufacturing semiconductor materials broadened. Tax credits for aerospace manufacturing and aircraft repair broadened. Exemption for processors of fruit and vegetables will now expire on 7/1/2012, but is expanded to manufacturers of dairy and seafood products. Reduced tax rate for services performed for canners of salmon. Tax credit for workforce training costs. Deduction for income associated with sales of auxiliary power to heavy duty truckers at truck stops. B&O tax credit for the \$1.00 per gallon tax paid on syrup to produce carbonated beverages. Tax credit for contributions to motion picture competitiveness program. Reduced tax rate for timber and wood products; new surtax of 0.052% to finance riparian habitat.	Extension of deduction for sales of biodiesel and alcohol fuel; definitions include "E85" fuel. New exemption for sales of natural or manufactured gas, if the firm is not engaged in this activity. New exemption for wholesale sales of unprocessed milk. Income from sales of standing timber is subject to B&O. New deduction for income from administering prescription drugs. New exemption for custom services provided to farmers.
<b>PUBLIC UTILITY</b>	Credit for billing discounts increased for FY 2007 only. Deduction for income associated with municipal transit service.	Deduction allowed for agricultural products shipped to marine export facilities.
<b>GASOLINE</b>		
<b>CIGARETTE AND TOBACCO</b>		
<b>ALCOHOLIC BEVERAGES</b>		
<b>OTHER TAXES</b>	Expiration of petroleum products tax (not currently imposed) moved back to 6/1/2013. Regional transp. investment district may levy surcharge on state rental car tax. Nursing home fee (currently \$5.25 per patient per day) is repealed, 7/1/2007.	Sales of standing timber exempted from real estate excise tax.

## Chart 3. Historical Summary of Washington Taxes Major Tax Rate and Base Changes

	2008	2009
<b>PROPERTY</b>	Veterans disability and other benefits deducted from income for senior citizens exemption and deferral programs.	Annual updating of real property values required by 2014; program of state assistance. Current use program includes property devoted to equestrian uses; modification of income requirements for standing crops. New local levy authorized for transit purposes in King County.
<b>OTHER TAXES IN LIEU OF PROPERTY TAX</b>		
<b>RETAIL SALES AND USE</b>	Exemptions for certain weatherization materials. Deferral of state/local sales/use tax on replacement of 520 floating bridge. Deferral/exemption for headquarters offices located in a CEZ. Retention of origin-based sales tax sourcing for florists under Streamlined Sales Tax. Remittance of sales tax for low-income working families based on a portion of the federal Earned Income Tax; program depends upon future authorization by the Legislature in the budget.	Elimination of resale certificate; replaced by seller's permit issued by the Department. Exemptions for batteries and infrastructure for electric vehicles. Digital goods (music, books, movies, etc. transmitted by electronic means) are subject to sales tax. New local infrastructure financing program (LIFT-II). Local sales tax for annexation services extended to Seattle. Authorization for high capacity transit districts in Spokane and Clark counties. New exemptions for renewable energy (biomass, tidal and wave, geothermal, solar, hog fuel, etc.) for four years. Exemptions for hybrid vehicles repealed early on August 1, 2009.
<b>BUSINESS AND OCCUPATION</b>	Rate reduction for income from Internet versions of newspapers. Credit for pre-production expenses of a polysilicon manufacturing plant with > \$500 million investment. Credit equivalent to sales tax paid on energy-efficient commercial appliances. Exemptions for beekeepers. Aerospace tax incentives are broadened to include production of tooling used in manufacturing of aircraft, all FAA certified aircraft repair, developmental expenses for all aerospace products, and reduced tax rate for aerospace product development.	Tax on nonprofit and public hospitals goes to general fund, rather than health services account. Digital goods subject to tax. Further rate reduction for manufacturing/wholesaling of solar energy systems. Permanent rate reduction to 0.2904% for newspapers.
<b>PUBLIC UTILITY</b>		Expiration date for exemption for electrolyte processors extended by eight years to 2019. Rate reduction from 1.8% to 1.28% for hauling of logs on public roads for four years.
<b>GASOLINE</b>		
<b>CIGARETTE AND TOBACCO</b>	New agreement authorized with the Yakama Nation providing for a tribal cigarette tax equal to 80% of state cigarette and sales taxes.	Dedicated funds eliminated; all receipts go to general fund.
<b>ALCOHOLIC BEVERAGES</b>		Dedicated funds eliminated; all receipts go to general fund.
<b>OTHER TAXES</b>		Local room fee for lodging firms extended to King County. Replacement tire fee (\$5) continued indefinitely.
<b>TAX ADMINISTRATION &amp; REPORTING</b>	Waiver of excise tax penalties/interest for firms owned by persons in the military who are serving in armed conflict outside the country.	Electronic reporting and payment required for all monthly excise taxpayers. Annual reports required on programs to combat the underground economy. Study of transferring administration of gas tax to DOR. All reports to the Legislature to be delivered only via electronic format.