

State of Washington
Joint Legislative Audit & Review Committee (JLARC)

2016 Expedited Tax Preferences

July 2016

This report contains information on 44 tax preferences selected for expedited review. The source of the information is Department of Revenue Tax Exemption Reports. Expedited Reviews have not undergone a performance evaluation by JLARC staff and do not include a JLARC staff recommendation.

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AMPHITHEATER (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(18)

Department of Revenue 2016 Tax Exemption Report (p. 340):

Description: Exemption from leasehold excise tax is allowed for leasehold interests in the public or entertainment areas of a privately constructed, operated and maintained amphitheater, where both the public owner and the private lessee regularly sponsor events, with a seating capacity of at least 17,000 and is located in a county with a population over 350,000 and less than 425,000 at the time it opened. The exemption does not extend to private offices used predominately by the lessee.

DOR Interpretation of Purpose: To encourage construction, maintenance and operation of an amphitheater in Clark County.

Category/Year Enacted: Business. 2005

Primary Beneficiaries: Lessees of the Clark County amphitheater

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions): Unable to disclose

Repeal of Exemption

Repealing this exemption would increase revenues.

BAD DEBTS (SALES AND USE TAX)

Current statutes: RCW 82.08.037; 82.12.037

Department of Revenue 2016 Tax Exemption Report (p. 745):

Description: A seller may take a credit or refund on sales tax previously paid on “bad debts.” A “bad debt” is a debt that is not collectable. Only the original seller may claim a credit or refund; claims are not assignable to third parties.

DOR Interpretation of Purpose: To limit a seller's tax liability on sales for which the seller does not receive payment.

Category/Year Enacted: Business. 1982

Primary Beneficiaries: Businesses that collect and remit sales tax

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	6.538	6.736	6.94	7.15
Local taxes	2.484	2.559	2.637	2.717

Repeal of Exemption

Repealing this exemption would increase revenues.

ASSISTED LIVING MEDICARE INCOME (B&O TAX)

Current statute: RCW 82.04.4337

Department of Revenue 2016 Tax Exemption Report (p. 184):

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

DOR Interpretation of Purpose: To make the tax treatment of assisted living facilities the same as nursing homes.

Category/Year Enacted: Business, 2004

Primary Beneficiaries: Assisted living facilities that are organized for-profit

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	1.304	1.304	1.304	1.304
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

ASSISTED LIVING FACILITIES (B&O TAX)

Current statute: RCW 82.04.2908

Department of Revenue 2016 Tax Exemption Report (p. 59):

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

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

DOR Interpretation of Purpose: Makes the taxation of assisted living facilities similar to the treatment of nursing homes.

Category/Year Enacted: Business. 2004

Primary Beneficiaries: Assisted living facilities

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	9.751	9.751	9.751	9.751
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

CAMPS FOR DISABLED PERSONS (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(13)

Department of Revenue 2016 Tax Exemption Report (p. 332):

Description: Leasehold interests of nonprofit, social service organizations used to provide organized and supervised recreational activities for disabled persons of all ages in a camp facility and for public recreational purposes are exempt from leasehold tax.

DOR Interpretation of Purpose: To support the activities of qualifying nonprofit organizations.

Category/Year Enacted: Nonprofit. 1995

Primary Beneficiaries: Organizations that operate camps for disabled person on leased public property

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.243	0.248	0.254	0.261
Local taxes	0.213	0.217	0.223	0.229

Repeal of Exemption

Repealing this exemption would increase revenues.

CATERING (LITTER TAX)

Current statute: RCW 82.19.050(5)

Department of Revenue 2016 Tax Exemption Report (p. 356):

Description: Catered food and beverages provided in non-single use containers and served for immediate consumption on the premises controlled by the customer are exempt from litter tax.

DOR Interpretation of Purpose: Relieves caterers from the litter tax.

Category/Year Enacted: Business, 2005

Primary Beneficiaries: Food service and catering businesses

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.003	0.003	0.003	0.004
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

CHILD CARE RESOURCE AND REFERRAL (B&O TAX)

Current statute: RCW 82.04.3395

Department of Revenue 2016 Tax Exemption Report (p. 86):

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

DOR Interpretation of Purpose: Reduces the cost of providing these services.

Category/Year Enacted: Nonprofit. 1995

Primary Beneficiaries: Child care resource and referral offices, many of which are housed under an umbrella organization such as the Child Care Resource and Referral Network

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.215	0.224	0.233	0.242
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

COMPUTERS FOR PUBLISHERS (SALES AND USE TAX)

Current statutes: RCW 82.08.806; 82.12.806

Department of Revenue 2016 Tax Exemption Report (p. 763):

Description: Purchases of computer equipment and software used primarily in the printing and publishing of all printed materials, and including installation and other related services, are exempt from retail sales and use taxes. Digital cameras are also exempted, but not computers and software used primarily for administrative purposes.

DOR Interpretation of Purpose: To provide a tax incentive for the printing and publishing industry.

Category/Year Enacted: Business. 2004

Primary Beneficiaries: Newspapers and other printers and publishers

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.59	0.598	0.606	0.614
Local taxes	0.224	0.227	0.23	0.233

Repeal of Exemption

Repealing this exemption would increase revenues.

DIRECT MAIL DELIVERY (B&O TAX)

Current statute: RCW 82.04.4272

Department of Revenue 2016 Tax Exemption Report (p. 140):

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

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

Category/Year Enacted: Business, 2005

Primary Beneficiaries: Direct mailers paying for delivery

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.02	0.021	0.022	0.023
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this deduction would increase revenues.

DIRECT MAIL DELIVERY (SALES AND USE TAX)

Current statutes: RCW 82.08.807; 82.12.807

Department of Revenue 2016 Tax Exemption Report (p. 764):

Description: Delivery charges made for direct mail are exempt from retail sales and use tax if the charges are stated separately on the bill given to the purchaser. Direct mail refers to printed material delivered without charge to a mass audience or a mailing list provided by the purchaser.

DOR Interpretation of Purpose: To exempt from taxation delivery charges (postage) for direct mail.

Category/Year Enacted: Business. 2005

Primary Beneficiaries: Direct mailers paying for delivery

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.251	0.265	0.278	0.29
Local taxes	0	0.101	0.106	0.11

Repeal of Exemption

Repealing this exemption would increase revenues.

ELECTRIC POWER SOLD IN RURAL AREAS (PUBLIC UTILITY TAX)

Current statute: RCW 82.16.053

Department of Revenue 2016 Tax Exemption Report (p. 574):

Description: A light and power business may deduct from gross income subject to the public utility tax the lesser of the amounts listed below.

- A percentage of wholesale power cost paid during the reporting period depending on the number of customers per mile of line:
 - o 50 percent of wholesale power cost if the business has fewer than 5 ½ customers per mile of line;
 - o 40 percent if the number of customers per line is between 5 ½ and 11;
 - o 30 percent if the number of customers per line is between 11 and 17; or
 - o Zero if the number of customers per line is greater than 17.
- Wholesale power cost multiplied by the percentage by which the average retail electric power rates for the light and power business exceed the state average electric power rate.
- \$400,000 monthly.

DOR Interpretation of Purpose: To reduce electricity costs in areas with geographically dispersed customers.

Category/Year Enacted: Business. 1994

Primary Beneficiaries: Public utility districts, power and light cooperatives, and rural electric associations and their customers

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	2.616	2.616	2.616	2.616
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

FEDERAL SMALL BUSINESS INNOVATION GRANTS (B&O TAX)

Current statute: RCW 82.04.4261

Department of Revenue 2016 Tax Exemption Report (p. 127):

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

DOR Interpretation of Purpose: Encourages research and development in high-technology small businesses.

Category/Year Enacted: Business. 2004

Primary Beneficiaries: Persons receiving grants from under the federal small business innovation research program

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.301	0.318	0.335	0.353
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

FEDERAL SMALL BUSINESS TECHNOLOGY TRANSFER GRANTS (B&O TAX)

Current statute: RCW 82.04.4262

Department of Revenue 2016 Tax Exemption Report (p. 128):

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

DOR Interpretation of Purpose: Encourages research and development in high-technology small businesses.

Category/Year Enacted: Business, 2004

Primary Beneficiaries: Persons receiving grants from the federal government under the small business technology transfer program. The small business technology transfer program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace.

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0	0.104	0.11	0.116
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

FOOD AND BEVERAGES CONSUMED ON-SITE (LITTER TAX)

Current statute: RCW 82.19.050(4)

Department of Revenue 2016 Tax Exemption Report (p. 355):

Description: Sales of food and drink for consumption on the premises of the seller, or at an adjacent eating area (e.g., food court at mall), are exempt from litter tax.

DOR Interpretation of Purpose: Recognizes that food and drinks consumed on the premises of the seller generally do not contribute to the litter problem.

Category/Year Enacted: Tax base. 2003

Primary Beneficiaries: Restaurants and other eating or drinking establishments

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.858	0.888	0.919	0.951
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

FUEL PREVIOUSLY TAXED (AIRCRAFT FUEL TAX)

Current statute: RCW 82.42.020

Department of Revenue 2016 Tax Exemption Report (p. 283):

Description: The aircraft fuel tax is collected and paid to the state only once for the same fuel. Sales of aircraft fuel on which the tax was previously paid are deductible from the total tax due.

DOR Interpretation of Purpose: To eliminate double taxation.

Category/Year Enacted: Other. 1967

Primary Beneficiaries: Aviators

Possible Program Inconsistency: None

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.355	0.359	0.363	0.367
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

FUEL PREVIOUSLY TAXED (FUEL TAX)

Current statute: RCW 82.38.030(9)(e); 82.38.032

This preference is not included in the 2016 DOR Tax Exemption Report.

The 2010 Tax Reference Manual from the Department of Revenue states:

In 1998 the statute was largely rewritten to shift the burden of reporting gas tax from distributors to the owner of the fuel at the time it was initially delivered from a refinery or terminal facility in the state. This new tax “at the rack” is intended to reduce evasion of motor vehicle fuel tax and reduce compliance costs by greatly reducing the number of taxpayers that are liable for reporting the tax.

Prior to 1998, fuel was taxed at the point of distribution to consumers. This tax preference maintains the practice of taxing each gallon of fuel only once.

RCW 82.38.030(9)(e) provides:

[Taxes are imposed when] fuel is sold or removed in this state to an unlicensed entity **unless there was a prior taxable removal, entry, or sale of the fuel.**]

RCW 82.38.032 provides:

International fuel tax agreement licensees, or persons operating motor vehicles under other reciprocity agreements entered into with the state of Washington, are liable for and must pay the tax under RCW 82.38.030 to the department on fuel used to operate motor vehicles on the highways of this state. **This provision does not apply if the tax under RCW 82.38.030 has previously been imposed and paid by the international fuel tax agreement licensee or if the use of such fuel is exempt from the tax under this chapter.**

FUND-RAISING SALES OF MAGAZINES (SALES TAX)

Current statute: RCW 82.08.02535

Department of Revenue 2016 Tax Exemption Report (p. 668):

Description: Magazine subscriptions are exempt from retail sales tax when sold by schools or nonprofit organizations benefitting boys and girls nineteen years and younger for purposes of raising funds to support their school or organization.

DOR Interpretation of Purpose: To support these organizations.

Category/Year Enacted: Nonprofit. 1995

Primary Beneficiaries: Schools and nonprofit organizations

Possible Program Inconsistency: None

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.5	0.56	0.57	0.59
Local taxes	0.17	0.21	0.22	0.23

Repeal of Exemption

Repealing this exemption would increase revenues.

GROCERY DISTRIBUTION CO-OPS (B&O TAX)

Current statute: RCW 82.04.298(2)

Department of Revenue 2016 Tax Exemption Report (p. 62):

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

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

Category/Year Enacted: Business, 2001

Primary Beneficiaries: Grocery cooperatives

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	Not disclosable	Not disclosable	Not disclosable	Not disclosable
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenue.

HAZARDOUS OR TOXIC WASTE (SOLID WASTE COLLECTION TAX)

Current statute: RCW 82.18.010(3)

This preference is not included in the 2016 DOR Tax Exemption Report. It was included in the original enactment of the solid waste collection tax.

RCW 82.18.010(3) provides:

“Solid waste” means garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. **The term does not include hazardous or toxic waste** nor does it include material collected primarily for recycling or salvage.

HISTORIC PROPERTY (LEASEHOLD EXCISE TAX)

Current statute: RCW 82.29A.130(17)

Department of Revenue 2016 Tax Exemption Report (p. 339):

Description: Exemption from leasehold excise tax for leasehold interests in property owned by a municipality or the federal government, listed on a federal or state historical register, and located within a designated national historic reserve.

DOR Interpretation of Purpose: To support the social benefits provided by publicly owned historical sites.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: Lessees of historical property within national historic reserves

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.023	0.024	0.024	0.024
Local taxes	0.021	0.021	0.021	0.021

Repeal of Exemption

Repealing this exemption would increase revenues.

HOUSING FOR YOUTH IN CRISIS (SALES AND USE TAX)

Current statutes: RCW 82.08.02915; 82.12.02915

Department of Revenue 2016 Tax Exemption Report (p. 729):

Description: Nonprofit health or social welfare organizations are exempt from retail sales and use taxes on purchases of materials used in the construction of licensed alternative housing facilities for youth who are "in crisis." The exemption does not extend to charges for labor or services associated with the construction of these facilities.

DOR Interpretation of Purpose: To encourage construction of shelters for youth who have left home.

Category/Year Enacted: Nonprofit. 1995

Primary Beneficiaries: Nonprofit organizations that house youth in crisis

Possible Program Inconsistency: None

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.08	0.084	0.088	0.092
Local taxes	0.03	0.032	0.033	0.035

Repeal of Exemption

Repealing this exemption would increase revenues.

LEGAL SERVICES TO LOW-INCOME PERSONS (B&O TAX)

Current statute: RCW 82.04.635

Department of Revenue 2016 Tax Exemption Report (p. 223):

Description: Income received by nonprofit organizations for providing legal services to low-income persons is exempt from B&O tax. The nonprofit must primarily be engaged in the provision of legal services to low-income individuals. Nonprofits are persons exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal internal revenue code.

DOR Interpretation of Purpose: Testimony on this exemption indicates funding levels had decreased and the exemption would allow nonprofits to increase their level of service with little impact to state funds in light of increasing demand for services.

Category/Year Enacted: Nonprofit. 2009

Primary Beneficiaries: Law firms providing legal services to low-income persons

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.5	0.506	0.511	0.517
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

LIQUEFIED GASSES (PETROLEUM PRODUCTS TAX)

Current statute: RCW 82.23A.010(1)

Department of Revenue 2016 Tax Exemption Report (p. 366):

Description: The definition of taxable petroleum products excludes liquefied or liquefiable gasses such as propane and butane. This definition expires July 1, 2020.

DOR Interpretation of Purpose: This exclusion assumes fuel in a gaseous state imposes much less risk to the environment.

Category/Year Enacted: Business, 2004

Primary Beneficiaries: Importers or producers of liquefied petroleum gas

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.153	0	0.171	0
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues. The petroleum products tax was suspended during Fiscal Year 2010. It is expected to be reactivated in Fiscal Year 2016 and again in Fiscal Year 2018.

MARITAL DEDUCTION (ESTATE TAX)

Current statute: RCW 83.100.047

Department of Revenue 2016 Tax Exemption Report (p. 260):

Description: The decedent's estate may deduct the value of property passed to a surviving spouse or state registered domestic partner for:

- Property passing outright, and
- Property providing an income interest for the life of the surviving spouse or domestic partner, with the proper election.

DOR Interpretation of Purpose: Postpones estate tax for assets passed to a surviving spouse until the surviving spouse's death.

Category/Year Enacted: Tax base. 2005

Primary Beneficiaries: Surviving spouses

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	210	210	210	210
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

MINIMUM TAXABLE THRESHOLD (ESTATE TAX)

Current statute: RCW 83.100.020(1)

Department of Revenue 2016 Tax Exemption Report (p. 257):

Description: Through Calendar Year 2013, there is a \$2 million exclusion from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. For estates of decedents dying in Calendar Year 2015, the exclusion amount is \$2,054,000.

DOR Interpretation of Purpose: Moderate value estates are not subject to the tax.

Category/Year Enacted: Individuals. 2005

Primary Beneficiaries: Individuals who receive benefits from the estate

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	3,810.7	3,953.1	4,311.4	4,467.8
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

NATURAL GAS NOT DELIVERED VIA PIPELINE (USE TAX)

Current statute: RCW 82.12.022(3)

Department of Revenue 2016 Tax Exemption Report (p. 238):

Description: Natural or manufactured gas delivered to customers by means other than through a pipeline is not subject to brokered natural gas use tax.

DOR Interpretation of Purpose: To clarify how this tax is applied.

Category/Year Enacted: Tax base. 1994

Primary Beneficiaries: Customers that receive natural gas via other means

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0	0	0	0
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

NEIGHBORHOOD REVITALIZATION (B&O TAX)

Current statute: RCW 82.73.030

Department of Revenue 2016 Tax Exemption Report (p. 235):

Description: Subject to limitations, approved contributions made to a program or the main street trust fund are eligible for a partial B&O tax credit or public utility tax credit.

The credit is either:

- 75 percent of the approved contributions made to a program, or
- 50 percent of the approved contributions to the main street trust fund.

The total amount of these credits statewide cannot exceed \$1.5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

DOR Interpretation of Purpose: Encourages the revitalization of downtown or neighborhood commercial areas.

Category/Year Enacted: Other. 2005

Primary Beneficiaries: Businesses that choose to participate in commercial area revitalization

Possible Program Inconsistency: None

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	1.4	1.4	1.5	1.5
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this credit would increase revenues.

NONPROFIT ASSISTED LIVING FACILITIES (B&O TAX)

Current statute: RCW 82.04.4264

Department of Revenue 2016 Tax Exemption Report (p. 131):

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

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

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

DOR Interpretation of Purpose: Reduces the tax liability of nonprofit assisted living facilities.

Category/Year Enacted: Nonprofit. 2005

Primary Beneficiaries: Nonprofit assisted living facilities

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.098	0.098	0.098	0.098
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

NONPROFIT FUNDRAISING (USE TAX)

Current statute: RCW 82.12.225

Department of Revenue 2016 Tax Exemption Report (p. 830):

Description: Items bought or received as a prize in a contest of chance from a nonprofit organization or library that are valued at less than \$12,000 are exempt from use tax if the sale is exempt under RCW 82.04.3651. This exemption expires July 1, 2020.

DOR Interpretation of Purpose: To support nonprofit organizations.

Category/Year Enacted: Nonprofit. 2013

Primary Beneficiaries: Prize winners of contests of chance from a nonprofit organization or library

Possible Program Inconsistency: None

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.015	0.015	0.015	0.015
Local taxes	0.006	0.006	0.006	0.006

Repeal of Exemption

Repealing this exemption would increase revenues.

NONPROFIT FUNDRAISING FOR INDIVIDUAL ARTISTS (PROPERTY TAX)

Current statute: RCW 84.36.650

Department of Revenue 2016 Tax Exemption Report (p. 514):

Description: Property tax does not apply to real and personal property owned by a nonprofit organization that raises funds to support individual artists if:

- The organization is nonsectarian,
- The organization is a 501(c)(3),
- The organization has at least 8 board members,
- The organization uses funds for grants, fellowships, information services, or education resources for individual artists, and
- If the property is leased, the exemption's benefit is realized by the lessee.

DOR Interpretation of Purpose: Assisting nonprofit organizations that support artists.

Category/Year Enacted: Nonprofit. 2003

Primary Beneficiaries: 0

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0	0	0	0
Local taxes	0	0	0	0

Repeal of Exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

NONPROFIT ORGANIZATION GOVERNMENT GRANTS (B&O TAX)

Current statute: RCW 82.04.4297

Department of Revenue 2016 Tax Exemption Report (p. 168):

Description: Nonprofit organizations or local government entities may take a B&O tax deduction for amounts received by health or social welfare organizations as compensation from federal, state or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include:

- health care;
- family and drug counseling;
- services for the sick, elderly and handicapped;
- day care;
- vocational training and employment services;
- legal services for the indigent; and
- services for low-income homeowners or renters.

Medicare and Medicaid receipts of nonprofit and public hospitals are also deductible.

DOR Interpretation of Purpose: To provide government with greater purchasing power when government provides financial support for the provision of health or social welfare services.

Category/Year Enacted: Nonprofit. 1979

Primary Beneficiaries: Nonprofit organizations that receive government grants

Possible Program Inconsistency: None

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	96.585	99.482	102.467	105.54
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

NONPROFIT R&D (B&O)

Current statute: RCW 82.04.260(3)

Department of Revenue 2016 Tax Exemption Report (p. 43):

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

DOR Interpretation of Purpose: Support the advancement of nonprofit research and development activities

Category/Year Enacted: Business. 1965

Primary Beneficiaries: Nonprofit corporation & associations

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	Not disclosable	Not disclosable	Not disclosable	Not disclosable
Local taxes	0	0	0	0

Repeal of Exemption

Repeal of this exemption would increase revenues.

PARKING AND BUSINESS IMPROVEMENT AREAS (B&O TAX)

Current statute: RCW 82.04.4267

Department of Revenue 2016 Tax Exemption Report (p. 135):

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

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

Category/Year Enacted: Business. 2005

Primary Beneficiaries: Local government with business improvement areas

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.312	0.328	0.344	0.362
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

PROFESSIONAL EMPLOYER ORGANIZATION WAGES (B&O TAX)

Current statute: RCW 82.04.540

Department of Revenue 2016 Tax Exemption Report (p. 210):

Description: A professional employer organization (PEO) may deduct the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, and similar items paid to or on behalf of certain employees who are co-employed by the PEO and a client of the PEO.

DOR Interpretation of Purpose: Excludes pass-through payroll expenses from B&O tax.

Category/Year Enacted: Tax base. 2006

Primary Beneficiaries: Professional Employment Organizations

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	3.22	3.43	3.52	3.64
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this deduction could increase revenues; however, if the PEO can show wages and benefits are advances or reimbursements under WAC 458-20-111 then those amounts would not be subject to B&O tax.

PUBLIC CORPORATIONS (PROPERTY TAX)

Current statute: RCW 35.21.755

Department of Revenue 2016 Tax Exemption Report (p. 305):

Description: Public corporations, commissions, and authorities must pay an in-lieu excise tax equal to what the property tax would be if a private owner owned the property.

Certain properties are exempt from this in-lieu tax including property:

- located in a special review district established prior to January 1, 1976;
- listed on a federal or state register of historical sites;
- used primarily for low income housing, as a convention center, performing arts center, public assembly hall, public meeting place, public esplanade, street, public way, public open space, park, public utility corridor, or public view corridor;
- considered blighted property acquired by a public corporation for remediation purposes; or
- used for transit purposes by a regional transit authority.

Certain historical properties are exempt from the leasehold excise taxes of RCW 82.29A.

DOR Interpretation of Purpose: Supports social benefits provided by community resources and encourages owners to retain historical property.

Category/Year Enacted: Government. 1974

Primary Beneficiaries: Public Housing Authorities, Preservation and Development Authorities, The Meydenbauer Convention Center in Bellevue, The Thea Foss Esplanade in Tacoma, and Property of the Regional Transit Authority.

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	2.32	2.37	2.43	2.49
Local taxes	9.35	9.83	10.22	10.64

Repeal of Exemption

Repealing this exemption would increase revenues.

RECYCLING OR SALVAGE MATERIALS (SOLID WASTE COLLECTION TAX)

Current statute: RCW 82.18.010(3)

This preference is not included in the 2016 DOR Tax Exemption Report. It was included in the original enactment of the solid waste collection tax.

RCW 82.18.010(3) provides:

“Solid waste” means garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. The term does not include hazardous or toxic waste **nor does it include material collected primarily for recycling or salvage.**

RTA MAINTENANCE CONTRACTS (SALES AND USE TAX)

Current statute: RCW 82.04.050(13)

Department of Revenue 2016 Tax Exemption Report (p. 625):

Description: Tangible personal property, labor, or services provided by a transit agency to a regional transportation authority (RTA) pursuant to a maintenance contract are exempt from retail sales and use taxes. This applies to items installed in bus or rail transportation equipment.

DOR Interpretation of Purpose: To facilitate regional transportation and clarify the application of sales tax to the RTA.

Category/Year Enacted: Government. 2005

Primary Beneficiaries: Regional Transit Authority

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.666	0.68	0.694	0.709
Local taxes	0.283	0.289	0.295	0.302

Repeal of Exemption

Repealing this exemption would increase revenues.

SALMON HABITAT RESTORATION GRANTS (B&O TAX)

Current statute: RCW 82.04.4339

Department of Revenue 2016 Tax Exemption Report (p. 185):

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

DOR Interpretation of Purpose: To encourage restoration of salmon habitat.

Category/Year Enacted: Business. 2004

Primary Beneficiaries: Nonprofit organizations restoring salmon habitat

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.527	0.527	0.527	0.527
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

SELLERS WITH LIMITED WASHINGTON CONNECTION (B&O TAX)

Current statute: RCW 82.04.424

Department of Revenue 2016 Tax Exemption Report (p. 121):

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

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

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

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

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

DOR Interpretation of Purpose: Exempt B&O tax to sellers with very limited connections to Washington.

Category/Year Enacted: Business. 2003

Primary Beneficiaries: Sellers with limited Washington connections

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	1.859	1.963	2.062	2.162
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenues.

SELLERS WITH LIMITED WASHINGTON CONNECTION (SALES AND USE TAX)

Current statutes: RCW 82.08.050(11); 82.12.040(5)

Department of Revenue 2016 Tax Exemption Report (p. 746):

Description: Sellers with a limited connection to this state are exempt from the requirement to collect retail sales tax. Specifically, this exemption from the duty to collect sales tax applies to a seller if its activities in Washington, whether conducted directly or through another person, are limited to storage, dissemination, or display of advertising, taking orders, or processing payments.

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

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

DOR Interpretation of Purpose: At the time this exemption was enacted, such sales were not taxable due to the federal Internet Tax Freedom Act (ITFA), which has been extended and is currently in effect. This exemption was enacted in case the ITFA is not in effect.

Category/Year Enacted: Business. 2003

Primary Beneficiaries: Sellers with a limited connection to this state

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0	0	0	0
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption could possibly increase revenues if the current federal moratorium (commonly known as the Internet Freedom Act) prohibiting state and local governments from imposing multiple or discriminatory taxes on electronic commerce is also allowed to expire. This moratorium is currently scheduled to expire on December 11, 2015.

TOBACCO SETTLEMENT AUTHORITY (B&O TAX)

Current statute: RCW 82.04.311

Department of Revenue 2016 Tax Exemption Report (p. 66):

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

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

Category/Year Enacted: Government. 2002

Primary Beneficiaries: The Authority and indirectly, citizens of the state

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	Not disclosable	Not disclosable	Not disclosable	Not disclosable
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenue.

TREATING CHEMICAL DEPENDENCY (B&O TAX)

Current statute: RCW 82.04.2906

Department of Revenue 2016 Tax Exemption Report (p. 58):

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

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

Category/Year Enacted: Business. 2003

Primary Beneficiaries: Entities providing treatment for chemical dependency

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.169	0.177	0.186	0.195
Local taxes	0	0	0	0

Repeal of Exemption

Repealing this exemption would increase revenue.

TRIBAL LANDS USED FOR GOVERNMENT PURPOSES (PROPERTY TAX)

Current statute: RCW 84.36.010(1)(a)

Department of Revenue 2016 Tax Exemption Report (p. 413):

Description: Property belonging to any federally recognized Indian tribe is exempt from property tax if the property is used exclusively for essential government services including economic development services.

DOR Interpretation of Purpose: This statute is directed toward tribal owned property which is located off the tribe's reservation. The purpose is to treat all tribes alike and to treat all property used for government services in the same manner. The governmental facilities of most tribes are sited on tribal lands which are exempt from property tax, just as the land owned by local governments is exempt. However, at least one tribe has little land held in trust and must therefore purchase non-tribal land for governmental facilities. Also, as "economic development" is recognized as an essential government service for purposes of qualifying tribally owned property for property tax exempt status and it is defined as including commercial activities, tribes that operate facilities located off the reservation must negotiate and make a payment in lieu of leasehold excise tax (PILT) and other operators of these properties are subject to leasehold excise tax (LET).

Category/Year Enacted: Government. 2004

Primary Beneficiaries: 1,782 parcels owned by Indian tribes whose governmental services utilize facilities on non-tribal land

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.43	0.44	0.451	0.463
Local taxes	1.94	2.038	2.118	2.203

Repeal of Exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

VETERAN WIDOWS AND WIDOWERS (PROPERTY TAX)

Current statute: RCW 84.39.010

Department of Revenue 2016 Tax Exemption Report (p. 524):

Description: Widows or widowers of a veteran qualify for a property tax exemption, in the form of a grant, if they:

- Meet all the requirements under the senior citizens exemption program (RCW 84.36.381), other than the income limits.
- Are 62 or older by December 31 of the exemption claim year or retired due to physical disability and the veteran:
 - Died from a servicereLATED disability
 - Was 100 percent disabled by the United States Veterans Administration for at least the last 10 years prior to the veteran's death
 - Was a prisoner of war and rated 100 percent disabled for at least 1 year prior to the veteran's death, or died while on active duty or in active military status

In addition, the widow or widower of a veteran must not have:

- remarried
- have a combined disposable income of more than \$40,000.

The grant equals the amount of regular and special property tax levies imposed on the difference between the value of the residence that is eligible under the senior citizens exemption program and the following:

- If disposable income is less than \$30,000, the first \$100,000 of residential value.
- If disposable income is between \$30,000 and \$35,000, the first \$75,000 of residential value.
- If disposable income is between \$35,000 and \$40,000, the first \$50,000 of residential value.

DOR Interpretation of Purpose: Providing property tax relief to survivors of deceased veterans.

Category/Year Enacted: Individuals. 2005

Primary Beneficiaries: Widows or widowers of veterans

Possible Program Inconsistency: None evident

Taxpayer Savings (\$ in millions):

	FY2016	FY2017	FY2018	FY2019
State tax	0.003	0.003	0.003	0.003
Local taxes	0.01	0.01	0.01	0.01

Repeal of Exemption

Repealing this property tax exemption would increase state revenues. Unlike most property tax exemptions it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state provides a grant for the state and local property taxes deferred under this program.