

# Revenues

In the 2004 session, the Legislature enacted revenue measures representing priorities in four issue areas: providing tax relief to senior citizens and disabled persons, expanding the current property tax exemption and deferral programs for these persons; promoting investment in high technology research and investment by continuing current business tax incentive programs; supporting economic development in rural areas through reenacting existing tax incentives; and addressing temporary economic difficulty in the aluminum smelting and the beef processing sectors with targeted tax relief. An additional priority concerning business tax incentive or relief measures, in general, was including accountability provisions to ensure that the measures achieve the intended public purpose.

The two current programs for senior citizens and disabled persons property tax relief are modified to expand the existing eligibility requirements. In the exemption program the income cap requirements are raised, with the highest threshold increased to \$35,000, to allow more persons to qualify. In addition, persons in the exemption program may now deduct from income any payments for Medicare health insurance premiums or for boarding or adult family home services for the purposes of determining program eligibility. In the deferral program, the income threshold for eligibility purposes is raised to \$40,000.

The existing tax incentive program to promote high technology research and development is extended and modified. The program, first created in 1994, allows a sales and use tax exemption on the construction of facilities and purchase of equipment used for research and development in the areas of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology. Another aspect of the program allows a credit against business and occupation (B&O) tax liability for certain research and development operating expenditures. In the 2004 act, the program is extended through the year 2015. Those eligible now include research universities and federal contractors conducting research. The B&O credit is modified to limit the amount of credit that can be taken, and an exemption from the B&O tax is allowed for federal grants received for small business research and development programs. Businesses that receive the sales and use tax exemption or B&O credit must submit annual surveys with detailed wage, employment, and other economic information. The Department of Revenue may publicly disclose the amount of credit taken at the firm level.

Economic development tax incentive programs that were previously created to support business activity in rural and distressed areas are reenacted and extended. Two B&O tax incentive programs that expired at the end of 2003, concerning information technology help desk services and computer software programming, are reenacted, and extended through 2010. The current sales and use tax deferral for manufacturing, computer programming, and research and development businesses in rural or distressed areas is extended to July 2010. The deferral program is also modified to include accountability provisions similar to those in the high technology research and development program. The eligibility requirements for the rural programs are modified to allow businesses in Island County to be eligible.

An additional legislative priority in the 2004 session is to provide temporary assistance to businesses disrupted by recent adverse economic conditions. For the aluminum smelting industry, where firms have been hurt by recent disruptions in the wholesale electricity market, a package of temporary tax incentives is provided to help businesses through 2006. Included in the package are a B&O tax rate reduction, a B&O tax credit for property taxes paid, an exemption from the brokered natural gas use tax, a credit for state sales and use taxes paid, and an exemption for utilities from the state public utility tax on sales of electricity to smelters, if the cost savings are passed along to the smelter. The package includes taxpayer reporting requirements and provisions that make wage, employment, and benefits information available to the public upon request. In a separate act, to address the disruption in the beef and beef products market caused by the domestic discovery of a cow with Bovine Spongiform Encephalopathy, firms may deduct income received from the slaughter or wholesale of perishable beef products when calculating B&O tax liability. The deduction is available until nations with bans on the importation of American beef products lift the bans.

**2004 Supplemental Revenue Legislation Changes**  
**General Fund-State and Total Revenue Impacts**

(Dollars in Thousands)

| <b>Legislation</b>                |      |                                      | <b>General Fund</b> | <b>Other Funds</b> | <b>Total State</b>    |
|-----------------------------------|------|--------------------------------------|---------------------|--------------------|-----------------------|
|                                   |      |                                      | <b>2003-05</b>      | <b>2003-05</b>     | <b>Revenue Impact</b> |
|                                   |      |                                      | <b>2003-05</b>      | <b>2003-05</b>     | <b>2003-05</b>        |
| SHB                               | 1322 | Tax on Indian Tribe Property         | 0                   | 0                  | 0                     |
| SHB                               | 1328 | Taxation of Boarding Homes           | -3,945              | 0                  | -3,945                |
| SHB                               | 2055 | Bundled Communications Services      | 0                   | 0                  | 0                     |
| HB                                | 2453 | New Motor Vehicle Taxation           | -3                  | 0                  | -3                    |
| E2SHB                             | 2518 | Public Utility Tax Exemption         | -325                | 0                  | -325                  |
| E SHB                             | 2546 | Hi-Tech Tax Incentives               | -52,384             | 0                  | -52,384               |
| SHB                               | 2621 | Razor Clam License                   | -19                 | 48                 | 29                    |
| E SHB                             | 2675 | Electric Utility Tax Credit          | -50                 | 0                  | -50                   |
| E SHB                             | 2693 | Taxation of Timber                   | -144                | 0                  | -144                  |
| HB                                | 2794 | Paying for Liquor                    | 62                  | 835                | 897                   |
| SHB                               | 2929 | American Beef Ban                    | -2,188              | 0                  | -2,188                |
| E HB                              | 2968 | Excise Tax Deductions                | -370                | 0                  | -370                  |
| E HB                              | 3036 | Gift Certificates                    | 0                   | 0                  | 0                     |
| E SHB                             | 3116 | Blood Banks & Cancer Centers         | -239                | 0                  | -239                  |
| SHB                               | 3158 | Sales & Use Tax Exemption            | -1,370              | 0                  | -1,370                |
| SB                                | 5034 | Seniors/Disabled Property Tax        | 0                   | 0                  | 0                     |
| SSB                               | 6115 | Amusement/Recreation Tax Exempt      | -231                | 0                  | -231                  |
| SB                                | 6141 | Vehicle Taxation                     | 0                   | 0                  | 0                     |
| SSB                               | 6240 | Rural County Tax Incentives          | -15,834             | 0                  | -15,834               |
| 2SSB                              | 6304 | Aluminum Smelters Tax Relief         | -1,714              | 0                  | -1,714                |
| SB                                | 6337 | Birth Certificates                   | 0                   | 0                  | 0                     |
| SSB                               | 6341 | Cosmetologists                       | 373                 | 0                  | 373                   |
| SB                                | 6448 | Telephone Program Excise Tax         | 0                   | 278                | 278                   |
| E SSB                             | 6481 | Parimutuel Wagering                  | 0                   | 260                | 260                   |
| SB                                | 6490 | Fuel Cells                           | -121                | 0                  | -121                  |
| SB                                | 6515 | Streamlined Sales & Use Tax          | -7,942              | 0                  | -7,942                |
| SSB                               | 6655 | Beer/Wine Manufacturers              | 0                   | 385                | 385                   |
| SB                                | 6663 | Vendor Tax Registration              | 0                   | 0                  | 0                     |
| <b>Transportation Legislation</b> |      |                                      |                     |                    |                       |
| SHB                               | 2532 | Commercial Drivers' Licenses         | 0                   | 489                | 489                   |
| SHB                               | 2910 | License Plates/Fire Fighters         | 0                   | 60                 | 60                    |
| 3SSB                              | 5412 | Identity Theft                       | 0                   | 0                  | 0                     |
| SSB                               | 6148 | Law Enforcement License Plate        | 0                   | 18                 | 18                    |
| SSB                               | 6676 | Transfer of License Plates           | 0                   | 93                 | 93                    |
| SSB                               | 6688 | Help Kids Speak License Plate        | 0                   | 48                 | 48                    |
| <b>Local Revenue Legislation</b>  |      |                                      |                     |                    |                       |
| HB                                | 2519 | County Property Tax Levies           | 0                   | 0                  | 0                     |
| SSB                               | 5326 | Regulate Fire Protection Authorities | 0                   | 0                  | 0                     |
| SSB                               | 6113 | Rural County Sales & Use Tax         | 0                   | 0                  | 0                     |
| SB                                | 6259 | Internet Taxation                    | 0                   | 0                  | 0                     |

## Revenue Legislation

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The legislation listed below is intended to be a summary of bills passed during the 2004 session affecting state revenues or tax statutes but may not cover all revenue-related bills. The legislation is listed in bill number order, although transportation-related legislation is grouped together at the end.

### **Exempting from Taxation Certain Property Belonging to Any Federally-Recognized Indian Tribe Located in the State – No General Fund-State Revenue Impact**

Chapter 236, Laws of 2004 (SHB 1322), exempts from taxation property owned by a federally-recognized Indian tribe and used for essential government services. This legislation does not impact state funds but reduces local revenues by \$62,000 in fiscal year 2005.

### **Modifying the Tax Treatment of Boarding Homes – \$3.9 Million General Fund-State Revenue Decrease**

Chapter 174, Laws of 2004 (SHB 1328), lowers the business and occupation (B&O) tax rate from 1.5 percent to 0.275 percent for licensed boarding homes. For the purposes of calculating taxable income under the B&O tax, licensed boarding homes may deduct amounts received from the Department of Social and Health Services for services provided to Medicaid recipients. This legislation decreases state general fund revenues by \$3.9 million in fiscal year 2005.

### **Taxation of Bundled Telecommunications Services – No General Fund-State Impact**

Chapter 76, Laws of 2004 (SHB 2055), provides that bundled telephone services that include both sales taxable and nontaxable services may be taxed only on the taxable services (rather than the entire bundle) if the telephone company can identify the charges for each service using its regular business records. This legislation does not impact state or local funds.

### **Modifying the Taxation of Wholesale Sales of New Motor Vehicles – \$3,000 General Fund-State Revenue Decrease**

Chapter 81, Laws of 2004 (HB 2453), exempts new car dealers from B&O tax on wholesales of new motor vehicles to other new car dealers. This legislation decreases state general fund revenues by \$3,000 in fiscal year 2005.

### **State Public Utility Tax Exemption for the Sales of Electricity to an Electrolytic Processing Business – \$325,000 General Fund-State Revenue Decrease**

Chapter 240, Laws of 2004 (E2SHB 2518), creates an exemption from the public utility tax for income received by a utility from the sale of electricity to a chlor-alkali or a sodium chlorate electrolytic processing business if the tax savings are passed along to the business purchasing the electricity. The legislative fiscal committees must evaluate the program in 2007 and 2010. This legislation decreases state general fund revenues by \$325,000 in fiscal year 2005.

### **Authorizing Voter Approved Property Tax Levies for Criminal Justice Purposes – No General Fund-State Revenue Impact**

Chapter 80, Laws of 2004 (HB 2519), authorizes counties to impose a new multi-year regular property tax of 50 cents per thousand dollars of assessed property value, subject to approval by a super majority of voters, for criminal justice purposes. The new taxing authority is not subject to the same aggregate rate limitation imposed on other junior and senior taxing districts, but must be reduced if the 1 percent constitutional limitation on regular levies is exceeded. This legislation does not impact state funds but may increase local revenues.

### **Modifying Commercial Driver's License Provisions – No General Fund-State Revenue Impact**

Chapter 187, Laws of 2004 (SHB 2532), modifies provisions related to licensing and disqualification of commercial driver license (CDL) holders and adds a separate CDL endorsement for operation of a school bus. Hazardous material endorsement requirements are modified to comply with federal hazardous materials security threat assessment requirements. This legislation does not impact the state general fund but increases fee-related

revenues to the Highway Safety Account by \$120,000 in fiscal year 2005 and to the Fingerprint Identification Account by \$368,000 in fiscal years 2004 and 2005.

**Modifying High Technology and Research and Development Tax Incentive Provisions – \$52.4 Million General Fund-State Revenue Decrease**

Chapter 2, Laws of 2004 (ESHB 2546), extends the B&O tax credit for research and development (R&D) spending from December 31, 2004, to January 1, 2015. The sales and use tax exemption for new, expanded, or diversified operations in R&D or pilot scale manufacturing is extended from July 1, 2004, to July 1, 2015. The R&D credit calculation for the purposes of the B&O credit is modified to limit the basis for the credit to the amount of R&D expenditures in excess of 0.92 percent of taxable income and to compute the credit for firms other than nonprofits using the average tax rate rather than 1.5 percent. The University of Washington and Washington State University are eligible to use the sales and use tax exemption for R&D facilities and equipment. Federal contractors building federal R&D facilities may also utilize the sales and use tax exemption. Credit and exemption users are required to report annually the amount of B&O tax credit or sales tax exemption taken; the number of new products, trademarks, patents, and copyrights; the number of jobs and the percent of full- and part-time jobs; wages by salary band; the number of jobs with employer-provided health and retirements; and other company related information. The amount of the sales tax exemption taken, and the amount of credit taken for firms taking more than \$10,000 in annual credits, may be publicly disclosed. The Department of Revenue is required to summarize the survey information annually. The Department must also study the credit and exemption and report to the Legislature by December 1, 2009, and December 1, 2013. This legislation decreases state general fund revenues by \$52.4 million and local revenues by \$14.3 million in fiscal year 2005.

**Concerning Personal Use Shellfish Licenses – \$19,000 General Fund-State Revenue Decrease**

Chapter 248, Laws of 2004 (SHB 2621), establishes an annual and a 3-day razor clam license to be administered by the Department of Fish and Wildlife. A surcharge is assessed on razor clam licenses for biotoxin testing and monitoring. The 2-day personal use shellfish and seaweed license is eliminated. Because license fees are lowered in aggregate, this legislation decreases state general fund revenues by \$19,000 in fiscal year 2005.

**Electric Utility Tax Credit Provisions – \$50,000 General Fund-State Revenue Decrease**

Chapter 238, Laws of 2004 (ESHB 2675), extends the expiration date of the electric utility rural economic development revolving fund tax credit from December 31, 2005, to June 30, 2011. The period over which contributions are measured for purposes of determining the amount of tax credit allowed is changed from a calendar year to a fiscal year. The Electric Utility Rural Economic Development Revolving Fund may be governed by the board of directors of an existing associate development organization serving the qualifying rural area if that board has been designated by the sponsoring electrical utility. This legislation decreases state general fund revenues by \$50,000 in fiscal year 2005.

**Modifying the Taxation of Timber on Publicly-Owned Land – \$144,000 General Fund-State Revenue Decrease**

Chapter 177, Laws of 2004 (ESHB 2693), allows counties to impose a 4 percent excise tax, to be phased in over ten years, on timber harvested from public lands, credited against the state timber excise tax. This legislation decreases state general fund revenues by \$144,000 and local revenues by \$184,000 in fiscal year 2005.

**Allowing Licensees to Pay for Liquor Using Debit and Credit Cards – \$62,000 General Fund-State Revenue Increase**

Chapter 63, Laws of 2004 (HB 2794), permits businesses licensed by the Liquor Control Board, such as restaurants and bars, to purchase liquor from state liquor stores or vendors using debit and credit cards. To offset an increase in costs, liquor prices will be increased and will yield additional revenues in fiscal year 2005 to several accounts, including \$62,000 to the state general fund, \$28,000 to the Liquor Excise Tax Account, \$789,000 to the Liquor Revolving Account, and \$18,000 to the Health Services Account.

**Authorizing Special License Plates for Fire Fighters and Paramedics – No General Fund-State Revenue Impact**

Chapter 35, Laws of 2004 (SHB 2910), establishes a special license plate for professional fire fighters and paramedics who are members of the Washington State Council of Fire Fighters. This legislation does not impact the state general fund but increases fee-related revenues to the Motor Vehicle Account by \$42,000 and the Washington State Council of Fire Fighters Benevolence Fund by \$18,000 in fiscal year 2005.

**Providing Temporary Tax Relief for Washington Beef Processors – \$2.2 Million General Fund-State Revenue Decrease**

Chapter 235, Laws of 2004 (SHB 2929), exempts from the B&O tax income received from slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle. This legislation decreases state general fund revenues by \$2.2 million in fiscal years 2004 and 2005.

**Providing Excise Tax Deductions for Governmental Payments to Nonprofit Organizations for Salmon Restoration – \$370,000 General Fund-State Revenue Decrease**

Chapter 241, Laws of 2004 (EHB 2968), provides a B&O tax deduction for nonprofit organizations that receive government grants for salmon restoration purposes. This legislation decreases state general fund revenues by \$370,000 in fiscal years 2004 and 2005.

**Modifying Unclaimed Property Laws for Gift Certificates – No General Fund-State Revenue Impact**

Chapter 168, Laws of 2004 (EHB 3036), prohibits issuers of gift certificates and stored value cards, with a few exceptions, from including inactivity charges or expiration dates on the certificates. Gift certificates and stored value cards are exempted from the Uniform Unclaimed Property Act, freeing holders from the requirement to turn over abandoned gift certificates to the state after three years. This legislation does not impact the state general fund in fiscal year 2005 but reduces revenues attributable to abandoned property receipts by \$2.7 million in future years.

**Modifying Tax Exemptions for Qualifying Blood Banks, Tissue Banks, and Blood and Tissue Banks – \$239,000 General Fund-State Revenue Decrease**

Chapter 82, Laws of 2004 (ESHB 3116), reenacts tax exemptions for nonprofit blood, bone, and tissue banks that were invalidated in court. This legislation decreases state general fund revenues by \$239,000 in fiscal year 2005.

**Exempting Computer Equipment Used Primarily in Printing or Publishing from Sales and Use Tax – \$1.4 Million General Fund-State Revenue Decrease**

Chapter 8, Laws of 2004 (SHB 3158), exempts from sales and use tax computer equipment purchased by a printer or publisher used primarily in the printing or publishing of printed material. This legislation decreases state general fund revenues by \$1.4 million and local revenues by \$400,000 in fiscal year 2005.

**Providing Property Tax Relief for Senior Citizens and Persons Retired Because of Physical Disability – No General Fund-State Revenue Impact**

Chapter 270, Laws of 2004 (SB 5034), increases the income threshold and exemptible portion of property value for the various tiers and provisions of the senior and disabled retirees property tax exemption and deferral programs. The definition of disability is tied to the definition used in the federal Social Security law. For the purposes of determining eligibility, a deduction from income is allowed for payments for boarding home or adult family home costs and Medicare insurance premiums. This legislation does not impact state funds but reduces local revenues by \$1.1 million in fiscal year 2005.

**Creating Regional Fire Protection Service Authorities – No General Fund-State Revenue Impact**

Chapter 129, Laws of 2004 (SSB 5326), establishes local authority to create a regional fire protection service authority, including any necessary financing, by a vote of the people. Financing options include regular property taxing authority of up to \$1.50 per \$1,000 assessed value. In lieu of levying the last 50-cent property tax option, a regional authority may impose benefit charges similar to that provided for fire protection districts. The property tax authority of participating jurisdictions is reduced by the rate levied by the regional authority. This legislation does not impact state funds but may increase local revenues.

**Requiring Implementation of a Biometric Identifier for Driver's Licenses and Identicards – No General Fund-State Revenue Impact**

Chapter 273, Laws of 2004 (3SSB 5412), requires the Department of Licensing to implement a voluntary biometric matching system for use in issuing driver's licenses and identicards and increases the civil liability for identity theft from \$500 to \$1,000, or actual damages, whichever is greater. This legislation does not impact state funds in the 2003-05 fiscal biennium but increases fee-related revenues to the Biometric Security Account by \$2.1 million in the 2005-07 fiscal biennium.

**Modifying the Rural County Sales and Use Tax – No General Fund-State Revenue Impact**

Chapter 130, Laws of 2004 (SSB 6113), strengthens the requirement that the 0.08 percent rural county sales and use tax for public facilities be used to finance only those facilities that serve economic development purposes and facilitate the creation and retention of businesses and jobs. This legislation does not impact state funds.

**Providing a Use Tax Exemption for Amusement and Recreation Services Donated to or by Nonprofit Organizations or State or Local Governmental Entities – \$231,000 General Fund-State Revenue Decrease**

Chapter 155, Laws of 2004 (SSB 6115), exempts the use of amusement and recreation facilities from the use tax when such use is donated to a nonprofit organization or school. This legislation decreases state general fund revenues by \$231,000 and local revenues by \$59,000 in fiscal years 2004 and 2005.

**Clarifying the Property Taxation of Vehicles Carrying Exempt Licenses – No General Fund-State Revenue Impact**

Chapter 156, Laws of 2004 (SB 6141), provides an explicit property tax exemption for the vehicles of disabled veterans, honored veterans, and former prisoners of war and their spouses. The exemption obviates the prospective requirement to pay \$31,000 in property taxes on the vehicles in fiscal year 2005.

**Authorizing Special License Plates to Honor Law Enforcement Officers Killed in the Line of Duty – No General Fund-State Revenue Impact**

Chapter 221, Laws of 2004 (SSB 6148), establishes a law enforcement memorial special license plate. This legislation does not impact the state general fund but increases fee-related revenues to the Motor Vehicle Account by \$18,000 in fiscal year 2005 and to the Law Enforcement Memorial Account in future years.

**Modifying Tax Incentive Provisions for Rural Counties – \$15.8 million General Fund-State Revenue Decrease**

Chapter 25, Laws of 2004 (SSB 6240), extends the sales and use tax deferral program for persons engaged in manufacturing, research and development, or computer service businesses in rural counties from July 1, 2004, to July 1, 2010. Accountability provisions are added that require deferral recipients to submit annual reports and that make taxpayer tax credit information available to the public upon request. A B&O tax credit for computer software job creation of \$1,000 per new job is authorized for businesses engaged in computer software manufacturing or programming in rural counties. A B&O tax credit of 100 percent of the B&O tax on the services is authorized for businesses that provide information technology help desk services to third parties when the business is located in a rural county. Both credits expire January 1, 2011. Island County is added as an eligible rural area under the sales tax deferral and B&O credit programs, as well as under the job creation B&O tax credit and the job training B&O tax credit. This legislation decreases state general fund revenues by \$15.8 million and local revenues by \$4.4 million in fiscal year 2005.

**Extending the Restriction on Local Government Taxation of Internet Services – No General Fund-State Revenue Impact**

Chapter 154, Laws of 2004 (SB 6259), extends the prohibition on a city or town imposing new taxes or fees on Internet service providers to July 1, 2006. This legislation does not impact state funds but reduces local taxing capacity.

**Providing Tax Relief for Aluminum Smelters – \$1.7 Million General Fund-State Revenue Decrease**

Chapter 24, Laws of 2004 (2SSB 6304), provides tax incentives to the aluminum industry. The B&O tax rate for manufacturing and wholesaling is reduced for aluminum smelters from 0.484 percent to 0.2904 percent through 2006. Aluminum smelters may take a credit against the B&O tax for property taxes paid through 2006. Through 2006, aluminum smelters may take a credit for state sales and use taxes paid on personal property used at the smelter or incorporated into buildings, and on associated labor and services. Through 2006, aluminum smelters are exempt from the use tax on brokered natural gas. Businesses that sell electricity, natural, or manufactured gas to aluminum smelters receive a credit against their tax liability if the price of the electricity or gas is reduced by the tax savings. The legislation provides for accountability reporting and a review of the incentives. This legislation decreases state general fund revenues by \$1.7 million in fiscal year 2005.

**Revising the Fee for Birth Certificates Suitable for Display – No General Fund-State Revenue Impact**

Chapter 53, Laws of 2004 (SB 6337), changes the fee for obtaining a birth certificate other than the original certificate. The fee is to be set by the Washington Council for the Prevention of Child Abuse and Neglect to maximize revenue for the Children's Trust Fund. This legislation does not impact the state general fund but will increase revenues to the Children's Trust Fund by an amount depending on the level of the fee set by the Council.

**Concerning the Licensing of Cosmetologists and Others under Chapter 18.16 RCW – \$373,000 General Fund-State Revenue Increase**

Chapter 51, Laws of 2004 (SSB 6341), extends to June 30, 2005, the grace period provided to former licensees in good standing for the purpose of renewing an expired license in certain cosmetology-related professions or of obtaining an additional license in barbering, manicuring, or esthetics without taking the applicable examination. Persons who hold a license in good standing in one of these professions may now elect to receive an inactive license status. This legislation increases state general fund revenues by \$373,000 in fiscal years 2004 and 2005 as a result of the acquisition of new and renewed licenses.

**Transferring Collection of Certain Telephone Excise Taxes from the Department of Social and Health Services to the Department of Revenue – No General Fund-State Revenue Impact**

Chapter 254, Laws of 2004 (SB 6448), transfers responsibility of setting rates for and collecting the telecommunications relay service excise tax and the telephone assistance excise tax from the Department of Social and Health Services to the Department of Revenue (DOR). Because DOR has a more complete database of taxpayers, this legislation will increase revenues to the Telephone Assistance Account and the Telecommunications Devices for the Hearing and Speech Impaired Account by \$278,000 in fiscal year 2005.

**Governing Class 1 Racing Associations' Authority to Participate in Pari-Mutuel Wagering – No General Fund-State Revenue Impact**

Chapter 274, Laws of 2004 (ESSB 6481), allows the Washington Horse Racing Commission (HRC) to authorize a class 1 racing association to conduct pari-mutuel wagering on imported simulcast races at satellite locations. In addition, until October 1, 2007, HRC may authorize a class 1 racing association or its contractor to conduct advance deposit wagering, in which an individual deposits funds to pay for wagers made in person, by telephone, or through communication by other electronic means. Through an expected increase in horse racing wagering, this legislation will increase revenues to the Horse Racing Commission Account by \$260,000 in fiscal year 2005.

**Exempting Fuel Cells from Sales and Use Taxes – \$121,000 General Fund-State Revenue Decrease**

Chapter 152, Laws of 2004 (SB 6490), extends the use tax exemption for the acquisition of machinery or equipment that is used to generate at least 200 watts of electricity to include fuel cells as a principal power source. This legislation decreases state general fund revenues by \$121,000 and local revenues by \$35,000 in fiscal year 2005.

**Correcting Errors in and Omissions from Chapter 168, Laws of 2003, Which Implemented Portions of the Streamlined Sales and Use Tax Agreement – \$7.9 Million General Fund-State Revenue Decrease**

Chapter 153, Laws of 2004 (SB 6515), restores sales tax exemptions inadvertently removed in 2003 legislation and makes further technical corrections. This legislation decreases state general fund revenues by \$7.9 million and local revenues by \$2.3 million in fiscal year 2005.

**Regulating Authorized Representatives of Beer and Wine Manufacturers and Distributors – No General Fund-State Revenue Impact**

Chapter 160, Laws of 2004 (SSB 6655), requires authorized representatives for breweries and wineries outside of Washington to obtain a certificate of approval from the Liquor Control Board to sell beer or wine in Washington. The Board is directed to set the fee for a certificate of approval to cover the cost of regulating certificate holders. This legislation does not impact the state general fund but increases revenues to the Liquor Revolving Account by \$385,000 in fiscal year 2005.

**Modifying Promoter Requirements for Vendor Tax Registration – No General Fund-State Revenue Impact**

Chapter 253, Laws of 2004 (SB 6663), provides that a good faith effort is sufficient for promoters of special events such as trade fairs when collecting vendor information for DOR. This legislation does not impact state funds.

**Permitting Transfer of License Plates – No General Fund-State Revenue Impact**

Chapter 223, Laws of 2004 (SSB 6676), allows transfer of general issue license plates and increases the transfer fee for license plates to \$10. This legislation does not impact the state general fund but increases fee-related revenues to the Motor Vehicle Account by \$93,000 in fiscal years 2004 and 2005.

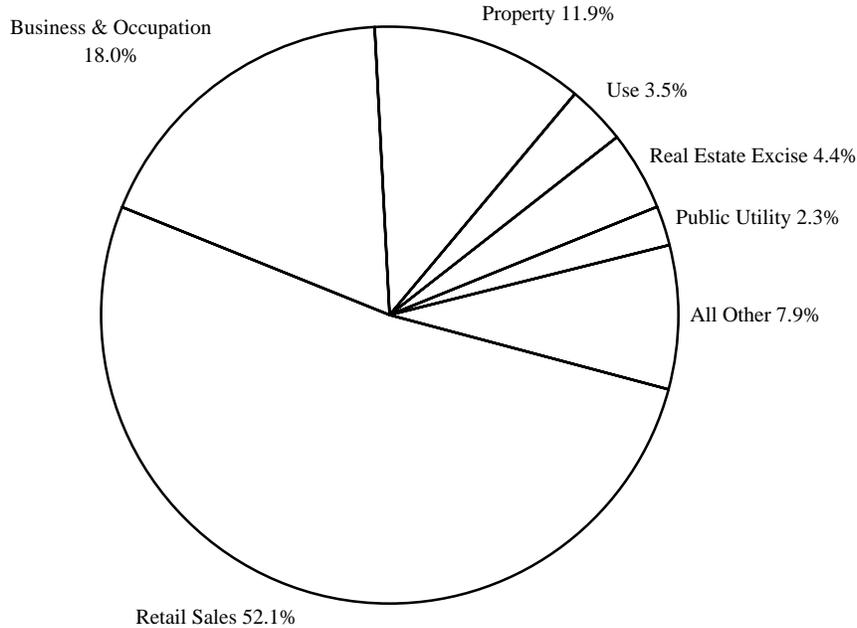
**Authorizing a Special “Helping Kids Speak” License Plate – No General Fund-State Revenue Impact**

Chapter 48, Laws of 2004 (SSB 6688), establishes a “Helping Kids Speak” special license plate series to benefit speech therapy programs for children. This legislation does not impact the state general fund but increases fee-related revenues to the Motor Vehicle Account by \$48,000 in fiscal year 2005 and to the Helping Kids Speak Account in future years.

# Washington State Revenue Forecast - February 2004

## 2003-05 General Fund-State Revenues by Source

(Dollars in Millions)



| Sources of Revenue    |                 |
|-----------------------|-----------------|
| Retail Sales          | 11,923.8        |
| Business & Occupation | 4,126.4         |
| Property              | 2,714.4         |
| Use                   | 790.4           |
| Real Estate Excise    | 999.0           |
| Public Utility        | 527.5           |
| All Other             | 1,815.8         |
| <b>Total *</b>        | <b>22,897.3</b> |

\* The state levy forecast reflects only the General Fund portion. The portion of the state levy that is transferred to the Student Achievement Account by Initiative 728 is excluded.

Note: Reflects the February 2004 Revenue Forecast (Cash Basis).