

Revenues

The March 2007 forecast for General Fund-State revenue is \$29.5 billion for the 2007-09 biennium. Revenue collections for the 2005-07 biennium exceeded the March 2005 estimate by approximately \$2.6 billion. This increased revenue yield was a reflection of stronger-than-anticipated economic growth in the state of Washington over the 2005-07 biennium. The overall rate of economic growth is expected to decrease over the 2007-09 biennium.

The Legislature, through the passage of over 40 tax-related bills, decreased potential revenue collections by \$29.1 million for the 2007-09 biennium. Over 70 percent of this fiscal impact is attributable to bills that can be categorized into one of three areas: streamlined sales and use tax compliance; additional tax reductions for the agricultural industry; and increased authority for local governments to impose taxes credited against the state sales and use tax.

Streamlined Sales and Use Tax Compliance

Chapter 6, Laws of 2007 (SSB 5089), conforms Washington law with the streamlined sales and use tax agreement, a multi-state effort to improve sales and use tax administration by providing consistency in tax law provisions, more efficient administrative procedures, and emerging technologies to substantially reduce the burden of tax collection. This bill has three main fiscal components: (1) revenue generated from the voluntary collection of sales tax by out-of-state (remote) sellers; (2) mitigation to local governments negatively impacted by the change in sales and use tax sourcing provisions from place of origin to place of destination; and (3) small business relief for businesses impacted by the change to destination sourcing. The bill takes effect July 1, 2008. It is estimated that the legislation will result in a net decrease to state revenues of \$5.9 million for fiscal year 2009. The net decrease is based on voluntary compliance revenues of \$37.5 million offset by local government mitigation payments of \$31.6 million and small business relief of \$11.8 million. In future biennia, the legislation is expected to significantly increase net state revenues as the number of remote sellers collecting taxes on behalf of the state of Washington increases while mitigation and business relief expenditures decline.

Tax Reductions for the Agricultural Industry

Five tax reduction measures were enacted that provide additional tax exemptions, deductions, or credits to the agricultural industry:

- Chapter 332, Laws of 2007 (EHB 1902), creates sales and use tax exemptions for replacement parts for farm vehicles and labor and services for qualifying farm machinery and equipment. This bill is estimated to decrease state revenues by \$6.4 million for the 2007-09 biennium.
- Chapter 131, Laws of 2007 (HB 1549), exempts wholesale sales of unprocessed milk from the state business and occupation tax. This bill is estimated to decrease state revenues by \$0.3 million for the 2007-09 biennium.
- Chapter 330, Laws of 2007 (HB 1443), authorizes a deduction from the public utility tax for certain amounts received for the transport of agricultural commodities. This bill is estimated to decrease state revenues by \$0.2 million for the 2007-09 biennium.
- Chapter 443, Laws of 2007 (SSB 5009), exempts biodiesel fuel used by farmers for nonhighway use from sales and use tax. This bill is estimated to decrease state revenues by \$0.1 million for the 2007-09 biennium.

- Chapter 334, Laws of 2007 (ESHB 2352), exempts certain farming services from the business and occupation tax. The bill also exempts the hauling of agricultural products or farm machinery from the public utility tax, if done for a farmer by a relative. This bill is estimated to decrease state revenues by \$0.1 million for the 2007-09 biennium.

Local Government Credits against State Sales and Use Tax

Four measures were enacted that provide additional authority for cities, counties, and public facilities districts (PFDs) to impose sales and use taxes that are credited against the 6.5 percent state sales and use tax rate:

- Chapter 478, Laws of 2007 (E2SSB 5557), increases the rate of the rural county sales and use tax authorized for economic development purposes from 0.08 percent to 0.09 percent. This bill is estimated to decrease state revenues by \$5.1 million for the 2007-09 biennium.
- Chapter 486, Laws of 2007 (EHB 2388), authorizes PFDs that may be created within the City of Kent and Lewis County to impose a 0.033 percent sales and use tax. The bill also allows existing PFDs within Cowlitz County and the City of Yakima, which already impose a 0.033 percent sales and use tax, to impose an additional sales and use tax (Cowlitz County – 0.020 percent; City of Yakima – 0.025 percent). This bill is estimated to decrease state revenues by \$3.6 million for the 2007-09 biennium.
- Chapter 251, Laws of 2007 (E2SHB 1705), authorizes cities and counties to create health sciences and services authorities (HSSA) to promote bioscience-based economic development. The local jurisdiction where an HSSA is created is authorized to impose a 0.02 percent sales and use tax. This bill is estimated to decrease state revenues by \$3.0 million for the 2007-09 biennium.
- Chapter 189, Laws of 2007 (SSB 5568), extends Yakima County's authority to impose a 2.0 percent lodging tax without allowing a deduction for any similar city lodging tax imposed. This bill is estimated to decrease state revenues by \$0.2 million for the 2007-09 biennium.

2007-09 Revenue Legislation

General Fund-State

(Dollars in Millions)

Legislation			Total 2007-09
SHB	1002	Modifying the Sales & Use Taxation of Vessels	1.3
SHB	1029	Defining Alternative Motor Fuel	0.0
HB	1185	Reporting of Timber Purchases	0.0
2SHB	1277	Local Infrastructure Financing Tools	0.0
SHB	1381	Technical Changes to Tax Laws	0.0
SHB	1409	Transfer Jurisdiction over Conversion-Related Forest Practices to Local Govt	-0.2
HB	1443	Agricultural Commodities	-0.2
HB	1450	Modifying Low-Income Property Tax Exemptions	0.0
SHB	1508	Resale of Natural Gas	0.0
ESHB	1512	Increasing Amount Taxpayer May Use for Linked Deposit Program	-1.1
SHB	1513	Forest Product Businesses	-2.1
HB	1549	Unprocessed Milk	-0.3
SHB	1566	Rural County Tax Credit	-0.9
HB	1674	Auth Governor to Enter into Cigarette Tax Contract with Spokane Tribe	0.0
E2SHB	1705	Creating Health Sciences & Services Authorities	-3.0
SHB	1805	Increasing the Homestead Exemption Amount	2.9
2SHB	1811	Regarding Automatic Sprinkler Systems in Nightclubs	0.0
SHB	1843	Modifying Provisions Regulating Contractors	0.3
HB	1859	Revising Statute Law Committee's Publication Authority	0.0
SHB	1891	Providing B&O Tax Deduction for Sale of Certain Prescription Drugs	-2.0
EHB	1902	Sales & Use Taxation of Repairs to Farm Machinery & Equipment	-6.4
E2SHB	1910	Tax Incentives for Multi-Dwelling Units in Urban Centers	0.0
ESHB	1981	Taxation of Electronically-Delivered Financial Information	-2.7
SHB	2008	Tribal Timber Harvest Excise Tax Contract with Quinault Nation	-0.1
HB	2032	Fruit & Vegetable Processing & Storage Tax Deferral	0.0
SHB	2158	Vehicle Sales to Nonresidents	-0.9
ESHB	2164	Higher Education & Multiple Unit Housing	0.0
SHB	2335	Exempting Certain Amateur Radio Repeaters from Leasehold Excise Taxes	0.0
ESHB	2352	Providing Excise Tax Relief for Certain Farm Services	-0.1
EHB	2388	Financing Regional Centers with 10,000 Seats or Less	-3.6
SSB	5009	Biodiesel Fuel for Farm Use	-0.1
SSB	5085	Interest on Transportation Accounts	0.0
SSB	5089	Streamlined Sales & Use Tax	-5.9
SB	5434	Import & Export Commerce	0.0
SB	5468	Tax Programs	-0.2
ESB	5498	Local Taxing Districts	0.0
SB	5512	Modification to the Hospital Benefit Zone Tax Increment Financing	0.0
SB	5551	Enhancing Enforcement of Liquor & Tobacco Laws	-0.2
E2SSB	5557	Economic Development Facilities	-5.1
SSB	5568	City Lodging Taxes	-0.2
SB	5572	Excise Tax Relief	0.0
SB	5607	Historical Property	0.0
SSB	5715	Insurance Soliciting	0.0
E2SSB	5862	Passenger-Only Ferry Service	0.0
SSB	5919	Providing Relief from Retaliatory Taxes on Insurance Premium Taxes	1.9
SSB	6141	Regarding Forest Health	0.0
Total			-29.1

Revenue Legislation

The legislation listed below is intended to be a summary of bills passed during the 2007 session affecting state revenues or tax statutes but may not cover all revenue-related bills.

Modifying the Sales and Use Taxation of Vessels – \$1.3 Million General Fund-State Increase

Chapter 22, Laws of 2007 (SHB 1002), provides a retail sales tax exemption for vessels 30 feet or longer sold to bona fide residents of another state or possession or province of Canada. The vessel owner must purchase and display a 12-month use permit, costing \$500 for vessels 50 feet in length or less and \$800 for vessels over 50 feet in length. The new permit and fee structure will yield a net increase to the state general fund of \$0.6 million in the first year of activity.

Defining Alternative Motor Fuel – No General Fund-State Impact

Chapter 309, Laws of 2007 (SHB 1029), amends the Motor Fuel Quality Act to include a definition for E85 motor fuel. The bill also replaces the definition of alcohol fuel with a definition of E85 motor fuel for several excise tax preferences related to the sale of alcohol and biodiesel fuels. The expiration date for these tax preferences is extended from July 1, 2009, to July 1, 2015, and reduces 2009-11 revenue by \$250,000.

Reporting of Timber Purchases – \$0.002 Million General Fund-State Increase

Chapter 47, Laws of 2007 (HB 1185), extends the 2007 expiration date of the reporting requirements for certain timber purchases to 2010. Information gathered in the reports is used by the Department of Revenue to establish tables of stumpage values, which are used to calculate the excise tax due from certain timber harvesters. A purchaser who fails to report is assessed a \$250 penalty, and so the extension of the expiration date is expected to generate a small amount of penalty-related revenue from persons that fail to report.

Local Infrastructure Financing Tools – No General Fund-State Impact

Chapter 229, Laws of 2007 (2SHB 1277), increases the annual state contribution to the Local Infrastructure Financing Tool (LIFT) projects from \$5 million to \$7.5 million per year. The increase impacts the state general fund beginning fiscal year 2010. This legislation also extends the application deadline for new LIFT projects by local governments to 2008. Public improvement costs may be paid with state monies on a pay-as-you-go basis for a limited time.

Technical Changes to Tax Laws – No General Fund-State Impact

Chapter 54, Laws of 2007 (SHB 1381), provides technical corrections to the tax code, including correcting drafting errors, removing inaccurate references, deleting obsolete provisions, and making necessary statutory clarifications.

Transferring Jurisdiction over Conversion-Related Forest Practices to Local Governments – \$0.2 Million General Fund-State Decrease

Chapter 236, Laws of 2007 (SHB 1409), removes the current December 31, 2005, deadline for the adoption of ordinances by local governments for approvals of Class IV forest practices. The bill also requires certain local governments to adopt ordinances that allow the authority to approve or disapprove forest practices to be transferred from the Department of Natural Resources to the local government by December 31, 2008. The legislation is expected to further reduce the number of forest conversion applications and corresponding fees submitted to the Department.

Agricultural Commodities – \$0.2 Million General Fund-State Decrease

Chapter 330, Laws of 2007 (HB 1443), provides a public utility tax deduction for amounts derived from transporting agricultural commodities from points of origin in Washington to interim storage facilities in the state, if the commodities are subsequently transported to port facilities for export or shipment outside the state.

Modifying Low-Income Property Tax Exemptions – No General Fund-State Impact

Chapter 301, Laws of 2007 (HB 1450), adds that the public funding requirement to qualify for the low-income property tax exemption can be met if the nonprofit received financial assistance from a federal program administered by a city or county government or a document recording fee surcharge imposed for the purpose of affordable housing development or to reduce homelessness. A property tax assessment may not consider a highest and best use for a property that is not permitted for that purpose under existing zoning or land use planning ordinances, statutes, or other government restrictions. For property assessments, consideration should be given to any agreement with a government agency that restricts rental income, appreciation, and liquidity, and to the impact of government restrictions on operating expenses and ownership rights.

Resale of Natural Gas – Minimal Impact to General Fund-State

Chapter 58, Laws of 2007 (SHB 1508), allows a business and occupation (B&O) tax exemption for the sale of natural or manufactured gas by a consuming business if the amount of gas sold by the business in that calendar year is no more than 20 percent of the amount of natural or manufactured gas that it consumes in the U.S. in the same calendar year. While revenues to the state general fund will be reduced, it is expected that losses will be minimal.

Increasing the Amount the Treasurer May Use for the Linked Deposit Program – \$1.1 Million General Fund-State Decrease

The Linked Deposit Program provides loans to minority and women-owned businesses. Chapter 500, Laws of 2007 (ESHB 1512), increases the amount of money available for use in the Linked Deposit Program from \$100 million to \$150 million and establishes priorities for businesses participating in the program.

Forest Product Businesses – \$2.1 Million General Fund-State Decrease

Chapter 48, Laws of 2007 (SHB 1513), expressly applies the reduced B&O tax rate for timber activities to pay-as-cut sales. Pay-as-cut sales are exempt from real estate excise tax if the seller reports and pays income under the reduced B&O rate. Small harvesters may claim a \$100,000 B&O deduction, replacing the B&O exemption for small harvesters.

Unprocessed Milk – \$0.3 Million General Fund-State Decrease

Chapter 131, Laws of 2007 (HB 1549), creates a B&O tax exemption for wholesale sales of unprocessed milk.

Rural County Tax Credit – \$0.9 Million General Fund-State Decrease

Chapter 485, Laws of 2007 (SHB 1566), makes changes to the rural county job creation B&O tax credit, which allows businesses that increase employment to claim a credit of \$2,000 or \$4,000 per new employee. The bill makes the credit easier to claim by changing the base year from a calendar year to the previous four calendar quarters, expanding the definition of a “qualified employment position” to include positions that are temporarily vacant or seasonal, and permitting businesses to apply for the tax credits within 90 days after creating and filling the new employment positions.

Authorizing the Governor to Enter into a Cigarette Tax Contract with the Spokane Tribe – No General Fund-State Impact

Chapter 320, Laws of 2007 (HB 1674), allows the Governor to enter into a cigarette tax contract with the Spokane Tribe and the Hoh Tribe to allow the tribes to impose and collect the tax. The authority is the same as that enacted in the past for 25 other tribes.

Creating Health Sciences and Services Authorities – \$3.0 Million General Fund-State Decrease

Chapter 251, Laws of 2007 (E2SHB 1705), provides funding for the creation of a Health Sciences and Services Authority to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. Funding is provided from a 0.02 percent sales tax that is credited against the state portion of the sales tax within the boundary of the authority.

Increasing the Homestead Exemption Amount – \$2.9 Million General Fund-State Increase

Chapter 429, Laws of 2007 (SHB 1805), increases the real property homestead exemption, which protects a debtor's equity in residential property, to \$125,000. The bill provides that the homestead exemption does not apply to debts for sales taxes that are collected by those property owners who operate retail businesses and fail to remit sales taxes to the state. A Department of Revenue tax warrant for other unpaid taxes becomes a lien on the value of the homestead property in excess of the homestead exemption limit from the time the tax warrant is filed in superior court. The bill will increase revenue because the state becomes one of the creditors authorized to receive a portion of the proceeds in certain bankruptcy proceedings.

Regarding Automatic Sprinkler Systems in Nightclubs – No General Fund-State Impact

Chapter 434, Laws of 2007, Partial Veto (2SHB 1811), changes the definition of "nightclub" to reflect the 2006 International Building Code standards. The date by which automatic sprinklers must be installed in nightclubs is extended to December 1, 2009. The special property tax exemption for nightclub owners installing sprinklers must inure to lessees if the lessee pays for the cost of the equipment and installation.

Modifying Provisions Regulating Contractors – \$0.3 Million General Fund-State Increase

Chapter 436, Laws of 2007 (SHB 1843), makes numerous changes to the Contractor Registration Act, including changes relating to definitions, registration, exemptions, bonds, disclosure statements, collections, investigations, civil infractions, and criminal violations. The additional state revenue results from: fees paid by property-owner developers and cabinet makers who must now register as contractors; infraction fines assessed against unregistered property-owner developers; and a \$30 increase in the fee to process summons and complaints against contractors.

Revising the Statute Law Committee's Publication Authority – \$0.03 Million General Fund-State Decrease

Chapter 456, Laws of 2007 (HB 1859), transfers proceeds from the sale of the session laws to the Statute Law Committee Publications Account, rather than the General Fund. The bill also authorizes the Statute Law Committee to publish the Washington State Register exclusively by electronic means if public access would not be substantially diminished.

Providing a B&O Tax Deduction for the Sale of Certain Prescription Drugs – \$2 Million General Fund-State Decrease

Chapter 447, Laws of 2007 (SHB 1891), provides a B&O tax deduction for physicians and clinics of sales of prescription drugs for infusion or injection. The deduction is limited to amounts covered, or required as co-payments or deductibles, under a government-sponsored health care service program.

Sales and Use Taxation of Repairs to Farm Machinery and Equipment – \$6.4 Million General Fund-State Decrease

Chapter 332, Laws of 2007 (EHB 1902), extends the sales and use tax exemption for replacement parts for farm machinery and equipment to include replacement parts for farm vehicles. Labor to install replacement parts on qualifying farm machinery and equipment, as well as repairs made to such equipment, is exempt from sales and use tax.

Tax Incentives for Multiple-Dwelling Units in Urban Centers that Provide Affordable Housing – No General Fund-State Impact

Chapter 430, Laws of 2007, Partial Veto (E2SHB 1910), modifies the current multi-unit property tax exemption. The current exemption is reduced from ten years to eight years. However, if certain affordable housing requirements are met, the exemption is expanded to 12 years. In addition, the number of cities that qualify is increased.

The Taxation of Electronically-Delivered Financial Information – \$2.7 Million General Fund-State Decrease

Chapter 182, Laws of 2007 (ESHB 1981), provides a sales and use tax exemption for electronically-delivered standard financial information to financial institutions and investment management companies.

Tribal Timber Harvest Excise Tax Contract with the Quinault Nation – \$0.08 Million General Fund-State Decrease

Chapter 69, Laws of 2007 (SHB 2008), authorizes the Governor to enter into a timber harvest excise tax agreement with the Quinault Nation. The tribal timber harvest excise tax must be equal to 100 percent of the state timber harvest excise tax. Tax revenues retained by the tribe will be used for essential government services. This legislation provides a reimbursement to counties from the state's timber tax distribution account for local forest excise tax revenues that are lost if an agreement goes into effect.

Fruit and Vegetable Processing and Storage Tax Deferral – No General Fund-State Impact

Chapter 243, Laws of 2007 (HB 2032), allows persons to apply to the Department of Revenue for the fruit and vegetable processing and storage tax deferral program as of April 30, 2007, instead of July 1, 2007. In order to qualify, applications must be filed prior to the initiation of construction of a facility or the purchase of machinery and equipment.

Vehicle Sales to Nonresidents – \$0.9 Million General Fund-State Decrease

Chapter 135, Laws of 2007 (SHB 2158), provides that persons who sell motor vehicles to nonresidents at retail cannot be found liable for the retail sales tax if the seller retains copies of statutorily-required documents. The bill also explicitly provides a sales and use tax exemption for tangible personal property incorporated in a vehicle and sold in a combined transaction to a nonresident that includes services, as long as the property is separately itemized.

Institutions of Higher Education and Multiple-Unit Housing within the Boundaries of the Campus Facilities Master Plan for Property Tax Exemption Purposes – No General Fund-State Impact

Chapter 185, Laws of 2007 (ESHB 2164), provides that, as of July 1, 2007, a city may not designate an area within the campus facilities master plan of either of the branch campuses of the University of Washington as a residential targeted area for the purposes of the multiple-unit housing property tax exemption.

Exempting Certain Amateur Radio Repeaters from Leasehold Excise Taxes – \$0.005 Million General Fund-State Decrease

Chapter 21, Laws of 2007 (SHB 2335), exempts leasehold interests in public facilities that are used for the placement of amateur radio repeaters from the leasehold excise tax if the repeaters are made available to public agencies for emergency communications.

Providing Excise Tax Relief for Certain Farm Services – \$0.1 Million General Fund-State Decrease

Chapter 334, Laws of 2007 (ESHB 2352), allows a B&O exemption for custom farming services performed by eligible farmers for other farmers. Farm management services, contract labor services, and services for farm animals are exempt from the B&O tax if performed by a person related to the farmer or the custom farm operator. Persons hauling agricultural products or farm machinery are exempt from the public utility tax if the service is provided to a farmer by a related person.

Financing Regional Centers with 10,000 Seats or Less – \$3.6 Million General Fund-State Decrease

Chapter 486, Laws of 2007 (EHB 2388), allows the city of Kent and Lewis County to create Public Facilities Districts (PFDs). These PFDs may impose a 0.033 percent sales tax that is credited against the state portion of the sales tax to fund regional centers. The bill also allows existing PFDs in Yakima and Longview to impose a 0.025 percent and 0.020 percent sales tax, respectively, that is credited against the state tax for purposes of improving theaters.

Biodiesel Fuel for Farm Use – \$0.1 Million General Fund-State Decrease

Chapter 443, Laws of 2007 (SSB 5009), provides a retail sales tax exemption for biodiesel fuel used for nonhighway farm purposes.

Interest on Transportation Accounts – No General Fund-State Impact

Chapter 513, Laws of 2007 (SSB 5085), allows transportation accounts to retain 100 percent of their interest earnings. The bill takes effect July 1, 2009, at which time the loss to the state general fund is expected to be \$5.0 million annually.

Streamlined Sales and Use Tax – \$5.9 Million General Fund-State Decrease

Chapter 6, Laws of 2007 (SSB 5089), makes Washington fully compliant with the Streamlined Sales and Use Tax Agreement. This legislation provides incentives for remote sellers to voluntarily collect sales or use tax on in-state sales and changes sales and use tax sourcing requirements from the current origin-based sourcing to destination-based sourcing beginning July 1, 2008. This creates revenue shifts between local jurisdictions. The bill provides full mitigation to those local jurisdictions that are negatively impacted by the change in sourcing rules. Additionally, relief is provided for certain small businesses to help them comply with the sourcing changes.

Import and Export Commerce – No General Fund-State Impact

Chapter 477, Laws of 2007 (SB 5434), creates an express exemption from B&O and retail sales taxation for the sale of tangible personal property in import or export commerce, codifying the existing administrative rule.

Tax Programs – \$0.2 Million General Fund-State Decrease

Chapter 111, Laws of 2007 (SB 5468), allows the Department of Revenue to send certain notification by e-mail rather than by mail if the taxpayer gives authorization. The bill provides a penalty waiver provision for centrally-assessed utilities if they can show they are late with the reporting responsibilities for good cause. The bill also provides for the option to send electronically, and eliminates the fees required for, applications and renewals for property tax exemptions.

Local Taxing Districts – No General Fund-State Impact

Chapter 380, Laws of 2007 (ESB 5498), authorizes a levy lid lift of up to six years for taxing districts with regular property tax authority other than cities and counties, which already have such authority. For levy lid lifts and the county 0.3 percent criminal justice sales and use tax, certain nonrecurring expenditures may be excluded from resources considered to be “existing funds” for the purposes of meeting non-supplanting requirements.

Modifications to the Hospital Benefit Zone Tax Increment Financing – No General Fund-State Impact

Chapter 266, Laws of 2007 (SB 5512), modifies the Hospital Benefit Zone (HBZ) program by allowing a local government with an HBZ to use tax increment financing revenues for payment of other bonds used to pay for public improvements within the HBZ and to pay the cost of public improvements directly (pay-as-you-go), rather than limiting revenues to payment of the principal and interest on the revenue bonds.

Enhancing Enforcement of Liquor and Tobacco Laws – \$0.2 Million General Fund-State Decrease

Chapter 221, Laws of 2007 (SB 5551), grants the Liquor Control Board the authority to inspect the books and records of common carriers in enforcing the cigarette tax law and to inspect books and records of vehicle rental agencies used to transport cigarettes and other tobacco products. Licensed cigarette wholesalers and retailers are allowed a B&O tax exemption for the stamping allowance. A credit is provided for other tobacco products tax paid for tobacco products sold to the United States or its agencies or to federally-recognized Indian tribes and tribal entities.

Economic Development Facilities – \$5.1 Million General Fund-State Decrease

Chapter 478, Laws of 2007 (E2SSB 5557), increases the rural county sales and use tax credit for economic development from 0.08 percent to 0.09 percent for all counties that currently qualify for the credit.

City Lodging Taxes – \$0.2 Million General Fund-State Decrease

Chapter 189, Laws of 2007 (SSB 5568), extends the sunset date for the lodging tax “double-dip” for Yakima County from January 1, 2013, to January 1, 2021. The current “double-dip” allows Yakima County and the city of Yakima to each impose a 2.0 percent county-wide lodging tax within the city’s boundaries as a credit against

the state sales and use tax, unlike in other areas of the state, where only the city may effectively credit its tax against the state tax within city limits.

Excise Tax Relief – \$0.04 Million General Fund-State Decrease

Chapter 381, Laws of 2007 (SB 5572), provides an exemption from the B&O and sales and use tax for amounts received by a public development authority (PDA) for the provision of services to a business entity where the PDA is the managing or controlling member or general partner of the business entity.

Historical Property – \$0.04 Million General Fund-State Decrease

Chapter 90, Laws of 2007 (SB 5607), allows an exemption from the leasehold excise tax for leasehold interests in historic property that are owned by the United States government, listed on any federal or state register of historical sites, and wholly contained within a national historic reserve.

Insurance Soliciting – No General Fund-State Impact

Chapter 117, Laws of 2007 (SSB 5715), modifies licensing provisions selling, soliciting, or negotiating insurance. The bill takes effect July 1, 2009, when it is expected that the new fee structure will yield about \$90,000 of additional revenue to the state general fund.

Passenger-Only Ferry Service – \$0.02 Million General Fund-State Decrease

Chapter 223, Laws of 2007 (E2SSB 5862), provides a sales and use tax exemption for fuel purchased by a public transportation benefit area, a county-owned ferry, or county ferry district for use in passenger-only ferry vessels.

Providing Relief from Retaliatory Taxes on Insurance Premium Taxes – \$1.9 Million General Fund-State Increase

Chapter 153, Laws of 2007 (SSB 5919), designates the Insurance Commissioner's regulatory fee as a surcharge and excludes the surcharge from the calculation of the insurance premiums tax. This exclusion will result in a revenue increase to the general fund from those companies that pay taxes on the State of Incorporation basis and that are based in states with tax rates exceeding Washington's. Revenue is realized because these companies may no longer credit the surcharge against other taxes to be remitted to Washington.

Regarding Forest Health – \$0.02 Million General Fund-State Increase

Chapter 480, Laws of 2007 (SSB 6141), repeals a majority of the laws dealing with forest health and the relationship between the Department of Natural Resources and landowners and replaces these laws with voluntary measures based on a three-tier approach. The small increase in revenue is due to additional forest practice applications.

Budget-Driven Revenue

Sunday Sales – \$3.9 Million General Fund-State Increase

Funds are provided to the Liquor Control Board to open 29 additional stores on Sundays. The Board shall report back to the Legislature in January 2009 on the effect these additional store openings have made on sales. In addition, these activities increase revenues for the Health Services Account and the Violence Reduction and Drug Enforcement (VRDE) Account.

Department of Revenue – \$2.8 Million General Fund-State Increase

Funding is provided for the Department to implement legislation enacted in 2005 regarding vehicle licensing and registration enforcement. The Department will work with the Washington State Patrol and the Department of Licensing to increase the enforcement of laws requiring Washington residents to obtain their driver's licenses and to register their vehicles in the state. These efforts are expected to generate \$2.8 million in General Fund-State revenue.

Joint Legislative Systems Committee – \$1.8 Million General Fund-State Increase

The fee revenues of the Joint Legislative Systems Committee, which had previously been deposited to a dedicated account, will be paid to the general fund pursuant to Chapter 18, Laws of 2007 (SB 5957).

Department of Labor and Industries – \$0.7 Million General Fund-State Increase

Funds are provided to the Department to meet the additional demand in reviewing factory assembled structures created by the opening of a new modular home factory in Burlington. Increased fee revenue is expected as a result of the additional reviews.

Electronic Waste Authority – \$0.5 Million General Fund-State Loan

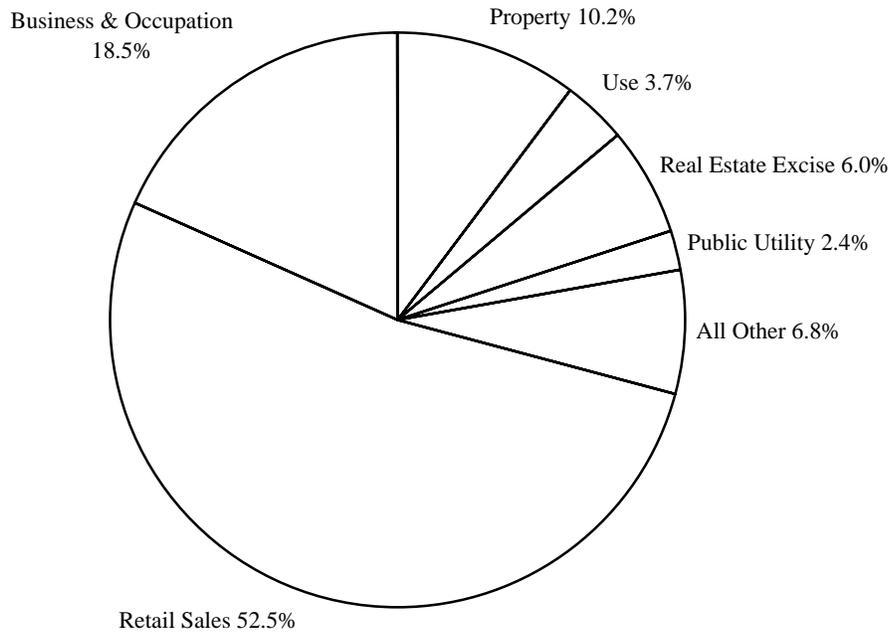
Chapter 183, Laws of 2006, Partial Veto (ESSB 6428 - Electronic Product Recycling), created the Washington Materials Management and Financing Authority to develop and implement an electronic waste recycling program for managing electronic waste. Funding is provided via the Department of Ecology for a loan to the Authority to pay for program start-up costs.

Liquor Control Board – \$0.04 Million General Fund-State Increase

Funds are provided for 92.5 liquor store full-time equivalent (FTE) staff. The funding comes as a result of the FTE pilot project and the recommendation of an optimal staffing level from a consultant's analysis of the FTE pilot project. In addition, funding is provided for a sales inventory and operations planning program coordinator and a category management program in order to increase the efficiency of their business practices producing more revenue. The net increased revenue from these programs, along with other additional spending, results in the increased budget-driven revenue. In addition, these activities increase revenues for the Health Services Account and VRDE Account.

Washington State Revenue Forecast - March 2007
2007-09 General Fund-State Revenues by Source

(Dollars in Millions)



Sources of Revenue	
Retail Sales	15,486.7
Business & Occupation	5,453.8
Property	3,016.1
Use	1,077.5
Real Estate Excise	1,756.7
Public Utility	709.6
All Other	2,015.1
Total *	29,515.5

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

Note: Reflects the March 2007 Revenue Forecast.