

Revenues

The Legislature took a multi-pronged approach to raise additional revenue to support state programs and services, including the passage of Chapter 4, Laws of 2010 (ESSB 6130), which amended Initiative 960 lowering the vote requirement on tax increases from two-thirds to a majority. One component narrowed several tax preferences and providing equitable tax treatment to ensure more fairness in Washington's tax system. Another aspect of the package was "economic nexus." Economic nexus established clear grounds for taxing out-of-state businesses with substantial activities in Washington. In addition, there were several tax increases, including the permanent removal of the sales tax exemption for candy, the imposition of a temporary sales tax on bottled water, a temporary increase for the tax on both carbonated beverages and beer, and a temporary 0.3 percent increase to the business and occupation tax on service businesses. In separate legislation, revenue was raised by increasing the tax on cigarettes and other tobacco products. Through these actions, the Legislature raised \$772.7 million.

New Revenue	
Dollars in Millions	
Source	2009-11
Chapter 23, Laws of 2010 – 2ESSB 6143	
Dot Foods	155.0
Nexus	84.7
Sales Tax Applied to Candy and Gum with B&O Credit for Jobs	30.5
Tax Avoidance	8.5
Property Management B&O (nonprofit exemption)	6.9
Agrilink	4.1
Homestreet Fix	3.6
Corp Dir B&O	2.1
Bad Debt	1.7
Livestock Nutrients	1.3
PUD Clarification	1.2
Tax Debts Corp	1.1
Temporary	
Services B&O to 1.8 percent with hospitals exempted and small business credit doubled (credit permanent)	241.9
Beer Tax increase of 50 cents per gallon, microbreweries exempt – 28 cents increase/six pack	62.6
Pop Tax increase exempting bottlers under \$10 million in sales – 2 cents per 12 oz bottle	33.5
Sales Tax applied to bottled water (exemption for prescription water and unavailable potable water)	32.6
Other	
Cigarettes/Other Tobacco Products (Chapter 22, Laws of 2010, 1 st sp.s. – ESHB 2493)	101.4
Total	772.7

2010 Revenue Legislation
General Fund-State
(Dollars in Thousands)

Bill Number	Subject	2009-11
2ESSB 6143	Taxes	671,300
ESHB 2493	Taxation of Cigarettes and Tobacco Products	101,400
2SHB 2436	Vehicle License Fraud	681
ESSB 6444	Omnibus Budget - Child Care Licensing	550
SSB 6846	Enhanced 911 Services	200
ESHB 3014	Rural County Investment Projects	-7,800
SB 6504	Crime Victims' Compensation Program	-2,700
SHB 2620	Tax Treatment of Digital Goods	-1,000
2SHB 2551	Washington Vaccine Association	-700
SB 6206	Tax Incentive Accountability	-300
SSB 6614	Bonneville Power Administration	-300
SSB 6339	Wax and Ceramic Materials	-200
SSB 6712	Extending Expiring Tax Incentives	-200
E2SHB 1597	Tax Programs Administration	0
SHB 2402	Farmers Market/Property Tax	0
SHB 2525	Public Facilities Districts	0
EHB 2672	Aluminum Smelters/Tax Relief	0
SHB 2758	Wholesale Sales/Excise Tax	0
SHB 2990	Water-Sewer Districts	0
SHB 3066	Tax Reporting Surveys	0
ESHB 3179	Local Excise Tax Provisions	0
ESSB 6130	Initiative Measure No. 960	0
E2SSB 6609	Local Government Infrastructure	0
SSB 6727	Health Sciences and Services	0
ESSB 6737	Air Ambulance Tax Exemption	0
ESSB 6789	Equipment in Data Centers	0
SSB 6831	Estates and Trusts	0
SB 6855	Community Center Taxation	0
Total General Fund-State Revenue Impact		760,931

Revenue Legislation

The legislation listed below is a summary of bills passed during the 2010 session that affect state revenues or state or local government tax statutes but may not cover all revenue-related bills.

Preserving Funding for Public Schools, Colleges, and Universities, and Other Public Safety, Security and Health Services – \$667.7 Million General Fund-State Increase

Chapter 23, Laws of 2010, 1st sp.s. (2ESSB 6143), increases revenue by narrowing tax preferences, establishing economic nexus standards, and imposing new taxes. See the “New Revenue” chart for further detail on the various measures contained in the bill.

Taxation of Cigarettes and Other Tobacco Products – \$101.4 Million General Fund-State Increase

Chapter 22, Laws of 2010, 1st sp.s. (ESHB 2493), increases taxes on cigarettes by \$1 per pack. Also, it increases taxes on tobacco products, with some exceptions, from 75 percent to 95 percent of the taxable sales price. The tobacco products tax rate on moist snuff is to be based on a single unit package. The tax rate is the greater of 95 percent of the taxable sales price or 83.5 percent of the per pack tax on cigarettes (\$2.526 per unit). For units larger than 1.2 ounces, the tax rate is increased proportionally based on the package size. The tobacco products tax rate on large cigars is 95 percent of the taxable sales price but not to exceed 65 cents per cigar.

Vehicle License Fraud – \$0.7 Million General Fund-State Increase

Chapter 270, Laws of 2010 (2SHB 2436), increases the fines for failure to register a vehicle in this state and for fraudulently registering a vehicle in another state to avoid taxes. Fines for such offenses are to be deposited in the Vehicle License Fraud Account.

Child Care Licensing – \$0.6 Million General Fund-State Increase

Pursuant to Chapter 37, Laws of 2010, 1st sp.s., Partial Veto (ESSB 6444), the Department of Early Learning is authorized to increase child care center licensure fees for child care centers for the costs to the Department for licensing activities. The fee increase is anticipated to raise \$550,000 in fiscal year 2011.

Enhanced Emergency 911 (E-911) – \$0.2 Million General Fund-State Increase

Chapter 19, Laws of 2010, 1st sp.s. (SSB 6846), increases the maximum rates of the E-911 tax on telephone lines for the state and counties by 5 cents and 20 cents, respectively. The bill also requires Department of Revenue (DOR) to collect the tax for the counties and allows DOR to retain an administrative fee of up to 2 percent of the collections.

Rural County Investment Projects – \$7.8 Million General Fund-State Decrease

Chapter 16, Laws of 2010, 1st sp.s. (ESHB 3014), extends the rural county sales and use tax deferral program from July 1, 2010 to July 1, 2020. Two types of areas qualify for the program: (1) counties with an unemployment rate that is at least 20 percent above the state average for three years and; (2) community empowerment zones (CEZ). The definition of “manufacturing” is clarified retroactively to include computer programming and other related services, but the service or activity must produce a new, different, or useful substance or article of tangible personal property for sale.

Creating the Crime Victims' Compensation Account – \$2.7 Million General Fund-State Decrease

Chapter 122, Laws of 2010 (E2SSB 6504), establishes a new dedicated account for a portion of monies deposited into inmate accounts and the proceeds from certain criminal profiteering recovery actions for the crime victims compensation program. The revenue was previously deposited into the general fund.

Clarifying the Tax Treatment of Digital Goods – \$1 Million General Fund – State Decrease

Chapter 111, Laws of 2010 (SHB 2620), clarifies ambiguities and corrects unintended consequences related to the passage of Chapter 535, Laws of 2009 (ESHB 2075), which related to the taxation of digital goods and products.

Establishing the Washington Vaccine Association – \$0.7 Million General Fund-State Decrease

Chapter 174, Laws of 2010 (2SHB 2551), creates the Washington Vaccine Association, a non-profit corporation, to facilitate the purchase of vaccines for privately insured children and to assess insurance carriers' plans for the cost of the vaccines. Additionally, the bill provides a business and occupation tax exemption for the assessments of the created non-profit corporation.

Extension of Filing Deadline for Tax Accountability Reporting – \$0.3 Million General Fund-State Decrease

Chapter 137, Laws of 2010 (SB 6206), allows a 90-day extension of the filing date for annual accountability reports or surveys for taxpayers who have timely filed all earlier annual reports and surveys.

Clarifying the Taxability of Certain Conservation Programs – \$0.3 Million General Fund-State Decrease

Chapter 295, Laws of 2010 (SSB 6614), provides a business and occupation (B&O) tax exemption for funds or credits provided by the Bonneville Power Administration for the purposes of implementing energy conservation programs or demand-side management programs.

Sales and Use Tax Exemptions for Wax and Ceramic Molds – \$0.2 Million General Fund-State Decrease

Chapter 225, Laws of 2010 (SSB 6339), provides a sales and use tax exemption for wax and ceramic materials used to make molds for creating ferrous and nonferrous investment castings used in industrial applications.

Extending the Expiration of Tax Incentives for Clean Vehicles, BioFuels, and Federal Aviation Regulation (FAR) Part 145 Repair Stations – \$0.2 Million General Fund-State Decrease

Chapter 11, Laws of 2010, 1st sp.s. (SSB 6712), extends the expiration date for FAR Part 145 certified repair stations from July 1, 2011, to July 1, 2024. The sales and use tax exemptions for new passenger cars, light duty trucks, and medium-duty passenger vehicles exclusively powered by a clean alternative fuel are extended from January 1, 2011, to July 1, 2015. The application deadline for the six-year property tax and leasehold excise tax exemptions for new or expanded manufacturing facilities producing alternative fuels is extended from December 31, 2009, to December 31, 2015.

State and Local Tax Administration – No Impact to General Fund-State

Chapter 106, Laws of 2010 (E2SHB 1597), provides technical corrections and statutory clarifications to various provisions related to excise, estate, and property tax laws.

Property Tax Exemption for Nonprofit Property Used for Farmers' Markets – No Impact to General Fund-State

Chapter 186, Laws of 2010 (SHB 2402), allows nonprofit organizations operating public assembly halls or meeting places and churches to retain their exemption from property taxation if used by qualifying farmers markets for not more than 53 days each year. The exemption expires in 2020.

Modifying the Provisions of Public Facilities Districts – No Impact to General Fund-State

Chapter 192, Laws of 2010 (SHB 2525), limits the authority to create new multi-city public facilities districts (PFDs). These PFDs may only be created by a group of at least three contiguous cities with a combined population of at least 160,000, each of which must have already established a PFD. A new multi-city PFD may, in addition to developing recreational facilities, develop regional centers including special events centers. A new multi-city PFD must specify the recreational facility or regional center to be funded in a sales and use tax proposal sent to the voters. No proposals may be submitted to the voters prior to January 1, 2011.

Extending Tax Relief for Aluminum Smelters – No Impact to General Fund-State

Chapter 2, Laws of 2010, 1st sp.s. (EHB 2672), extends the following tax incentives for aluminum smelters until January 1, 2017: the reduced B&O rate from 0.484 percent to 0.2904 percent for manufacturers of aluminum; the sales and use tax credit against the state portion of the tax for personal property, construction materials, and labor and services performed on buildings and property at an aluminum smelter; and the exemption from the brokered natural gas use tax on gas delivered through a pipeline. The B&O tax credit for the amount of property taxes paid on an aluminum smelter is extended through 2017 property taxes.

Updates to the Seller's Permit Program for Wholesale Purchases – No Impact to General Fund-State
Chapter 112, Laws of 2010 (SHB 2758), makes several changes and updates to the seller permit legislation adopted in 2009 (Chapter 563, Laws of 2009 – SSB 6173), placing limitations on the use of resale certificates.

Pilot Program for City Water-Sewer District Taxing Authority – No Impact to General Fund-State
Chapter 102, Laws of 2010 (SHB 2990), allows the city of Renton to impose a tax upon the gross revenues of a water-sewer system operating within its boundaries in a pilot program expiring January 1, 2015.

Creating Uniformity in Annual Tax Reporting – No Impact to General Fund-State
Chapter 114, Laws of 2010 (SHB 3066), amends various tax incentive statutes that require recipients to file an annual survey or an annual report with the Department of Revenue (DOR) and creates a uniform annual survey and report.

Providing Local Excise Tax Flexibility – No Impact to General Fund-State
Chapter 127, Laws of 2010 (ESHB 3179), allows cities to impose, with voter approval, the public safety sales and use tax at a rate not to exceed 0.1 percent. The non-supplant language in the public safety sales and use tax and the criminal justice sales and use tax is eliminated. Cities with a population over 30,000 and located in a county with a population over 800,000 are allowed to impose the mental health/chemical dependency sales and use tax if the county has not imposed it by January 1, 2011. The brokered natural gas use tax is imposed at the location where the gas is consumed or stored by the customer. It also allows local gambling revenue to be used for general public safety programs.

Temporary Suspension of Initiative 960 – No Impact to General Fund-State
Chapter 4, Laws of 2010 (ESSB 6130), suspends the two-thirds majority necessary to approve raising taxes and the tax advisory vote provisions until July 1, 2011.

Local Government Infrastructure Financing – No Impact to General Fund-State
Chapter 164, Laws of 2010 (E2SSB 6609), increases the total state contribution for the Local Revitalization Financing program by \$1.95 million beginning in fiscal year 2013 and dedicates the increase to six demonstration projects. Jurisdictions with Local Infrastructure Financing Tool projects may receive a state contribution less than the project award.

Expanding Health Sciences and Services Authorities – No Impact to General Fund-State
Chapter 33, Laws of 2010, 1st sp.s. (SSB 6727), makes changes to the health science and service authority enacting statutes. Specifically, it allows a health science and service authority to incur debt, and no more than 10 percent of their revenues may be used for personnel costs. The bill also provides that one more authority may be created in eastern Washington.

Exemption from Property Tax for Aircraft Used to Provide Air Ambulance Services – No Impact to General Fund-State
Chapter 12, Laws of 2010, 1st sp.s. (ESSB 6737), provides a property tax exemption and an aircraft excise tax exemption for aircraft owned by a nonprofit organization that is exempt from federal income tax and is used exclusively to provide emergency medical transportation services.

Sales and Use Tax Exemptions for Equipment in Data Centers – No Impact to General Fund-State
Chapter 1, Laws of 2010, 1st sp.s. (ESSB 6789), creates a sales and use tax exemption for servers and power equipment in certain data centers built in rural counties prior to July 1, 2011. The exemption is allowed until April 1, 2018.

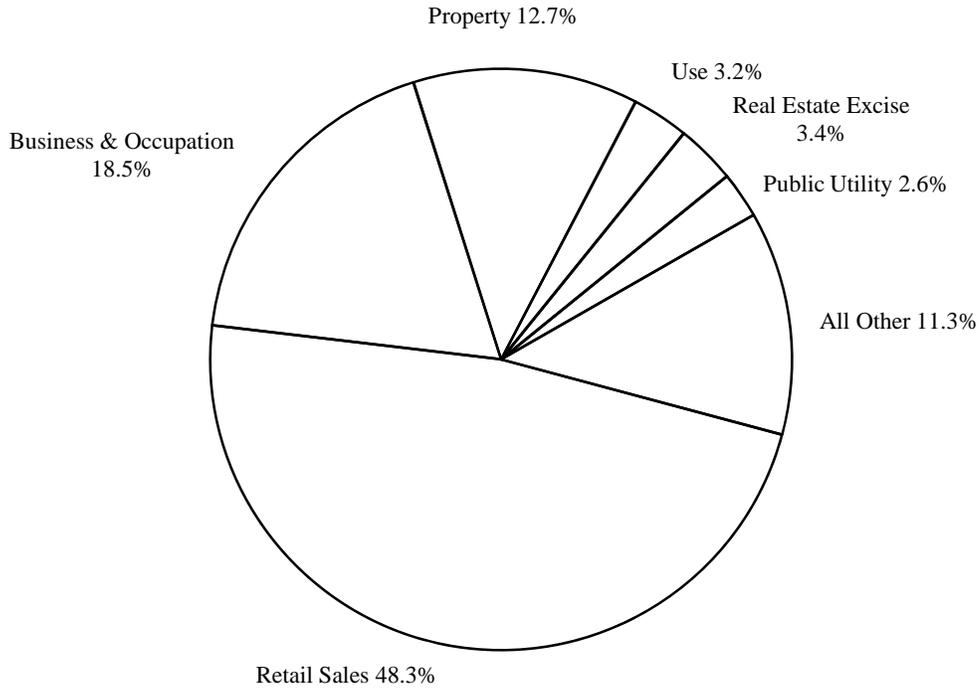
Estates and Trusts – No Impact to General Fund-State
Chapter 11, Laws of 2010 (SSB 6831), provides that a will or trust of an individual who dies during 2010, and who uses a formula clause using terms referring to the federal estate tax, will be deemed to be referencing the federal estate tax as it was in 2009. This provision relates to provisions in federal estate tax code which expire for the year 2010.

Community Center Property Tax Exemption – No Impact to General Fund-State

Chapter 281, Laws of 2010 (SB 6855), provides a property tax exemption for certain community centers. The property tax exemption is in effect for 40 years from the time of acquisition. The leasehold excise tax applies to the rental of property from a community center that is otherwise exempt from property taxation under this law. Properties eligible for the exemption are buildings surplus by a school district and purchased by a nonprofit organization for conversion into community facilities.

Washington State Revenue Forecast - February 2010
2009-11 Near General Fund-State Revenues by Source

(Dollars in Millions)



Sources of Revenue	
Retail Sales	13,878.6
Business & Occupation	5,304.4
Property	3,644.6
Use	920.0
Real Estate Excise	967.6
Public Utility	749.3
All Other	3,620.3
Total *	29,084.8

Note: Reflects the February 2010 Revenue Forecast.