

Revenues

The February 2012 forecast for General Fund-State revenue is \$30.3 billion for the 2011-13 biennium and \$32.4 billion for the 2013-15 biennium.

Since the adoption of the 2011-13 appropriation bill in May of 2011 [Chapter 50, Laws of 2011, 1st sp.s. (2ESHB 1087)], the General Fund revenue forecast declined by \$1.8 billion. Weaker economic growth than assumed in the baseline forecasts explains the reduction. The reduction was partially offset by about \$115 million in additional revenue due to: (1) expiration of a local sales tax credit upon the retirement of the Safeco field bonds; (2) voter approval of I-1183 (privatizing the sale of liquor); (3) adoption of Chapter 8, Laws of 2011 (SHB 2169) in the December 2011 special session directing the sale of stocks, bonds and other securities held by the state in the unclaimed property account; and (4) the net impact of large unexpected audits and refunds.

Revenue Transfers

Chapter 5, Laws of 2012, 2nd sp.s. (ESHB 2823) redirects a number of existing state revenues into the General Fund-State. One-hundred percent of the city and county portions of liquor excise taxes are redirected to the state general fund during FY 2013. Ten million dollars per year is redirected from the city and county share of liquor excise taxes to the General Fund-State beginning in FY 2014. The transfer of \$102 million from the General Fund to the Education Construction Account is canceled for the 2013-15 biennium. One-hundred percent of the Solid Waste Collection Tax is transferred to the General Fund from the Public Works Assistance Account for FY 2011 through FY 2015 and fifty percent of the tax is transferred for FY 2016 through FY 2018. Chapter 198, Laws of 2012 (SSB 6581) eliminates a number of inactive accounts in the state treasury resulting in a small increase in revenue to the General Fund-State.

Tax Preferences

A number of tax preferences were extended or created. Chapter 189, Laws of 2012 (E2SSB 5539) extends the Business and Occupation (B&O) tax credit available for donations to the Motion Picture Competitiveness Program from July 1, 2011, to July 1, 2017. Chapter 6, Laws of 2012, 2nd sp.s. (ESB 6635) extends: (1) the B&O tax exemptions for manufacturing of fruits or vegetables, dairy, and seafood to July 1, 2015; and (2) the sales and use tax exemption for server equipment and power infrastructure used in data centers where data center construction commences between April 1, 2012, and July 1, 2015. The bill also exempts craft distilleries from the 17 percent retail license issuance fee on spirits sales revenues and provides a new leasehold excise tax exemption for certain publicly owned cargo cranes and docks and associated areas used in the loading and discharging of cargo at a port district marine facility. The bill also provides a preferential B&O tax rate on revenue derived from the online portion of a newspaper business. To remain revenue neutral, the preferential B&O tax rate, which applies to both the online and traditional portions of the newspaper business, is increased from 0.2904 percent to 0.365 percent until June 30, 2013, and 0.35 percent until July 1, 2015.

Revenue Increases

Chapter 6, Laws of 2012, 2nd sp.s. (ESB 6635) narrows the applicability of a B&O tax deduction for interest income derived from first mortgages by disallowing the deduction for taxpayers located in more than ten states (\$14.5 million in FY 2013). Chapter 4, Laws of 2012, 2nd sp.s. (3E2SHB 2565) clarifies that roll-your-own cigarettes are subject to the cigarette excise tax (\$12 million in FY 2013). Chapter 59, Laws of 2012 (SHB 2149) authorizes county legislative authorities to waive penalties for assessment years 2011 and prior for a person or corporation failing or refusing to deliver to the assessor a list of taxable personal property (\$6 million in FY 2013).

2012 Reveue Legislation
General Fund - State
Dollars in Millions

2011-13

Revenue Transfers		
ESHB 2823	Redirecting Existing State Revenues into GF-S	143.8
	\$102 million transfer to Ed Construction from GF-S suspended for 2013-15	0.0
	Redirect Solid Waste Collection Tax to GF-S for 2011-13	70.1
	Redirect City/County liquor excise tax share to GF-S	28.8
	Redirect City/County share of liquor profits set at I-1183 level	44.9
	Redirect \$10 million of City/County share of liquor excist taxes to GF-S starting in FY14	0.0
Revenue Legislation		
3E2SHB 2565	Roll your own cigarettes	12.0
SHB 2149	Personal property tax admin	6.0
ESB 6635	Tax prefs and license fees	2.6
	Out-of-State Banks	14.5
	Food Processors	-6.7
	Port leases	-5.0
	Sever Equipment	0.0
	Craft Distillers	-0.2
	Newspapers	0.0
SSB 6581	Accounts and Funds	0.5
SB 5259	Small wineries/tax & reports	0.0
SB 5381	Emer medical service levies	0.0
SSB 5984	Local government finances	0.0
SB 6159	Dispute resolution/B&O tax	0.0
SB 6277	Multiple-unit dwellings	0.0
SSB 6371	Customized emplymnt training	0.0
SSB 6574	Admissions taxes	0.0
SSB 6600	Property tax exemptions	0.0
SSB 6636	Balanced state budget	0.0
HB 2224	Estate tax apportionment	0.0
SHB 2357	Sales & use tx/mental health	0.0
SHB 2389	Econ and revenue forecasts	0.0
ESHB 2502	Forest land classification	0.0
HB 2758	Spirits taxes collection	0.0
E2SSB 5539	Motion pictures	-3.5
SSB 6073	SR 16 project/sales & use tx	-4.4
ESSB 5978	Medicaid fraud	-4.9
	Sub Total	8.3
Budget Driven Revenue		
		25.2
Total Legislation and Budget Driven Revenue		
		177.3

Revenue Legislation

Concerning Personal Property Tax Assessment Administration, Authorizing Waiver of Penalties and Interest under Specified Circumstances - 6.0 Million General Fund-State Increase

Chapter 59, Laws of 2012 (SHB 2149) authorizes a county legislative authority to waive penalties for assessment years 2011 and prior for a person or corporation failing or refusing to deliver to the assessor a list of taxable personal property under certain circumstances. To qualify, the taxpayer must file with the assessor a correct list and statement of taxable personal property and a completed application for a penalty waiver on or before July 1, 2012. Full payment of the tax for which a penalty waiver is requested must be made to the county by September 1, 2012.

Concerning Washington Estate Tax Apportionment - No Impact to General Fund - State

Chapter 97, Laws of 2012 (HB 2224) exonerates small gifts of money, \$50,000 maximum, or tangible personal property, \$100,000 maximum, from estate tax apportionment. The tax associated with the exonerated gifts is reapportioned among the beneficiaries receiving non-exonerated gifts.

Concerning Sales and Use Tax for Chemical Dependency, Mental Health Treatment, and Therapeutic Courts - No Impact to General Fund - State

Chapter 180, Laws of 2012 (HB 2357) allows a county with a population larger than 25,000 and a city with a population over 30,000 that imposes the 0.1 percent local option sales and use tax for mental health/chemical dependency services to supplant existing funds on the following schedule: up to 50 percent of the mental health/chemical dependency sales and use tax to supplant existing funds in the first three calendar years in which the tax is imposed; and up to 25 percent may be used to supplant existing funds in the fourth and fifth years in which the tax is imposed. This timeline applies to jurisdictions imposing the tax after December 31, 2011.

Modifying the Submission Dates for Economic and Revenue Forecasts - No Impact to General Fund - State

Chapter 182, Laws of 2012 (SHB 2389) changes the submittal dates for the June and September economic and revenue forecasts from June 20 and September 20 to June 27 and September 27.

Modifying Exceptions to the Compensating Tax Provisions for Removal from Forest Land Classification to More Closely Parallel Open Space Property Tax - No Impact to General Fund - State

Chapter 170, Laws of 2012 (ESHB 2502) broadens the existing exception for sales or transfers of property in the Designated Forest Land (DFL) program from the payment of back taxes upon removal of property from DFL classification. The existing exception for transfers in high-population counties is expanded to include counties bordering Puget Sound with a population of at least 245,000 when the sale or transfer of property in the DFL classification is made to a governmental entity, nonprofit historic preservation corporation, or a nonprofit nature conservancy corporation for the purpose of conservation for public use and enjoyment.

Concerning Persons Who Operate a Roll-Your-Own Cigarette Machine at Retail Establishments - \$12.0 Million General Fund-State Increase

Chapter 4, Laws of 2012, 1st sp.s. (3E2SHB 2565) modifies the definition of "cigarette" for the cigarette excise tax to explicitly include roll-your-own (RYO) cigarettes. A tax enforcement and regulatory system for RYO cigarettes is established. Retailers that purchase RYO cigarette stamps are provided with compensation to offset the tobacco products tax. The amount is equal to \$0.05 per cigarette.

Strengthening the Department of Revenue's Ability to Collect Spirits Taxes Imposed Under RCW 82.08.150 - No Impact to General Fund - State

Chapter 39, Laws of 2012 (HB 2758) allows the Department of Revenue (DOR) to request that the Liquor Control Board (LCB) suspend a taxpayer's spirits license and refuse to renew any existing spirits license held by the taxpayer, if the taxpayer is more than 30 days delinquent in reporting or remitting spirits taxes to the DOR. DOR may also request that LCB refuse to issue any new spirits license to the taxpayer.

Redirecting Existing State Revenues into the State General Fund - \$143.8 Million General Fund-State Increase

Chapter 5, Laws of 2012, 2nd sp.s. (ESHB 2823) redirects a portion of city and county liquor excise taxes to the state general fund during FY 2013. Redirects \$10 million per year from the city/county share of liquor excise taxes to the state general fund beginning in FY 2014. The transfer of \$102 million from the state general fund to the Education Construction Account is cancelled for the 2013-15 biennium. All of the solid waste collection tax is transferred to the state general fund from Public Works Assistance Account through FY 2015. Half of the tax is transferred for FY 2016 through FY 2018.

Concerning the tax payment and reporting requirements of small wineries - No Impact to General Fund - State

Chapter 12, Laws of 2012 (SB 5259) allows small wineries to report and pay wine taxes annually instead of monthly.

Adjusting Voting Requirements for Emergency Medical Service Levies - No Impact to General Fund - State

Chapter 115, Laws of 2012 (SSB 5381) allows for the continuation of a six-year or ten-year emergency medical services levy with a simple majority vote, as opposed to a 60 percent majority vote, of the registered voters at a general or special election.

Concerning Washington's Motion Picture Competitiveness - \$3.5 Million General Fund-State Decrease

Chapter 189, Laws of 2012 (E2SSB 5539) extends the date from July 1, 2011, to July 1, 2017, during which business and occupation (B&O) tax credits may be earned for contributions to the Motion Picture Competitiveness Program (MPCP). The provision allowing the MPCP funding to be used for a tax credit marketer to market the tax credits is removed.

Concerning Medicaid Fraud - \$4.9 million General Fund-State Decrease

Chapter 241, Laws of 2012 (ESSB 5978) establishes a state Medicaid Fraud False Claims Act (MFFCA) that creates civil liability for false or fraudulent claims against the state Medicaid program, and authorizes private parties to bring actions on behalf of the state. Whistleblower protections are established for employees who report fraudulent practices by their employers. The MFFCA is terminated on June 30, 2016. The Joint Legislative Audit and Review Committee is required to conduct a sunset review.

Concerning Local Government Financial Soundness - No Impact to General Fund - State

Chapter 4, Laws of 2012 (SSB 5984) requires an independent financial review of a Public Facility District (PFD) prior to the formation of a PFD; the issuance of debt by a PFD; or the lease, purchase, or development of a facility by a PFD. If a PFD has defaulted on debt, the jurisdiction in which the public facility is located may impose a councilmanic sales tax of 0.2 percent for the purposes of refinancing the debt. This is in addition to any sales tax imposed by the PFD.

Concerning Sales and Use Taxes Related to the State Route Number 16 Corridor Improvements Project - \$4.4 Million General Fund-State Decrease

Chapter 77, Laws of 2012 (SSB 6073) extends the deferment period for state and local sales and use taxes on the Tacoma Narrows Bridge Project by six years. The repayment of deferred sales and use taxes will begin in 2018, rather than in 2012.

Concerning a Business and Occupation Tax Deduction for Amounts Received with Respect to Dispute Resolution Services - No Impact to General Fund - State

Chapter 249, Laws of 2012 (SB 6159) provides a deduction from the B&O tax for a Dispute Resolution Center (DRC) for amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. A nonprofit organization may deduct from the measure of B&O tax amounts received from federal, state, or local governments for distribution to a DRC.

Creating Authority for Counties to Exempt from Property Taxation New and Rehabilitated Multiple Unit Dwellings in Certain Unincorporated Urban Centers - No Impact to General Fund - State

Chapter 194, Laws of 2012 (SSB 6277) extends the multi-unit housing property tax exemption that is available for certain areas of cities to an urban center where the unincorporated population of a county is at least 350,000 and there are at least 1,200 students living on campus at an institute of higher education during the academic year. For any multi-unit housing located in an unincorporated area of a county, a property owner claiming the tax exemption must commit to renting or selling at least 20 percent of the multi-family housing units as affordable housing units to low and moderate income households.

Extending the Customized Employment Training Program - No Impact to General Fund - State

Chapter 46, Laws of 2012 (SSB 6371) extends the expiration date for the Washington Customized Employment Workforce Training Program (WCEWTP) to July 1, 2017. The expiration date for the WCEWTP B&O tax credits is extended to July 1, 2021.

Authorizing Certain Cities in Which Stadium and Exhibition Centers are Located to Impose Admissions Taxes in Limited Circumstances - No Impact to General Fund - State

Chapter 260, Laws of 2012 (SSB 6574) allows the city of Seattle to collect an admissions tax at CenturyLink Field during 2012 for college or university games that are played at that location due to the temporary closure of the facility owned by that college or university. The city may impose a maximum admissions tax of 5 percent at these events, and the county may not impose an admissions tax at these events.

Eliminating Accounts and Funds - \$0.5 Million General Fund-State Increase

Chapter 198, Laws of 2012 (SSB 6581) repeals forty-seven inactive funds and accounts.

Extending Property Tax Exemptions to Property Used Exclusively by Certain Nonprofit Organizations that is Leased from an Entity that Acquired the Property from a Previously Exempt Nonprofit Organization - No Impact to General Fund - State

Chapter 76, Laws of 2012 (SSB 6600) allows property to remain eligible for a property tax exemption for exempt social service activities if the property is owned by a property tax-exempt church that loans, leases, or rents the property to another organization for exempt purposes. Property also remains eligible for a property tax exemption if: (1) the property is owned by an entity formed exclusively for the purpose of leasing the property to an organization that will use the property for youth character building purposes; (2) the property is leased to an organization that uses the property for the exempt purposes; (3) the immediate previous owner of the property had received an exemption for the property; and (4) the benefits of the exemption are passed on to the lessee of the property.

Improving Revenue and Budget Sustainability by Repealing, Modifying, or Revising Tax Preference and License Fees - \$2.6 Million General Fund-State Increase

Chapter 6, Laws of 2012, 2nd sp.s (ESB 6635) disallows a financial business that is located in more than ten states from deducting from the B&O tax, amounts received from interest earnings on loans secured by first mortgages or deeds of trust on residential properties. The Joint Legislative Audit and Review Committee is directed to review the first mortgage deduction by June 30, 2015, as part of its tax preference review process. B&O tax exemptions for manufacturing of fruits or vegetables, dairy, and seafood are extended to July 1, 2015, and are then replaced by a preferential B&O tax rate of 0.138

percent. The time is extended for eligible data centers and qualifying tenants of data centers to qualify for the sales and use tax exemption on server equipment and power infrastructure, to those that commence construction between April 1, 2012, and July 1, 2015. The exemption time is extended for eligible replacement server equipment placed in new data centers and for qualifying tenants until April 1, 2020. Craft distilleries are exempted from the license issuance fee of 17 percent of all spirits sales revenues. Leasehold interests subject to leasehold excise tax do not include the preferential use of publicly owned cargo cranes and docks and associated areas used in loading and discharging of cargo at a port district marine facility. Preferential use means use by a private party under a written agreement with the public owner in which the public owner or a third party maintains a right to use the property when it is not being used by the private party. The definition of a newspaper is amended to include the Internet version of printed newspapers and newspaper supplements. The B&O tax rate for printing and publishing a newspaper is increased from 0.2904 percent to 0.365 percent until June 30, 2013, and 0.35 percent until July 1, 2015.

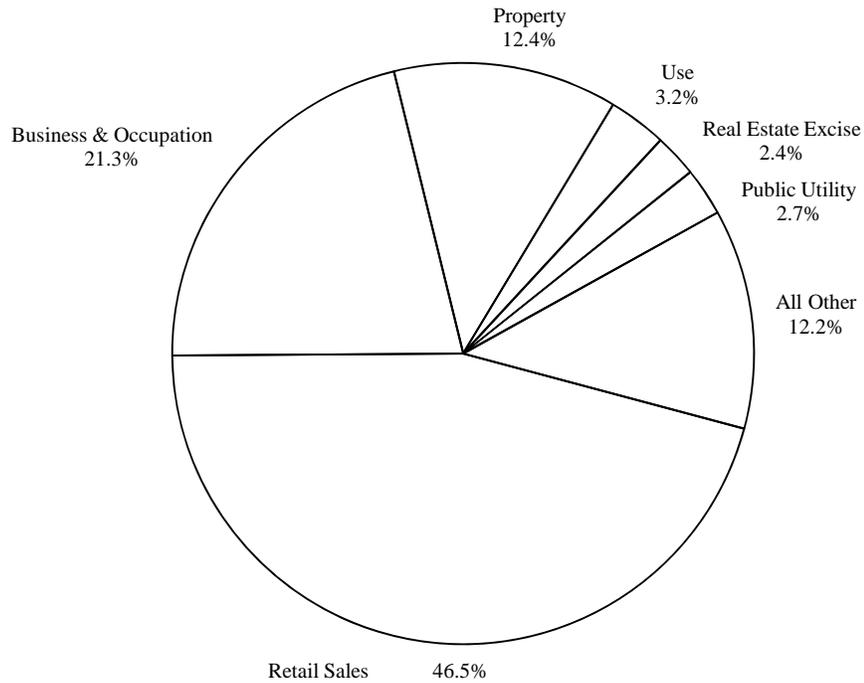
Requiring a Balanced State Budget for the Current and Ensuing Fiscal Biennium - No Impact to General Fund - State

Chapter 8, Laws of 2012, 2nd sp.s. (SSB 6636) requires the Legislature, beginning with the 2013-2015 fiscal biennium, to enact a budget bill that leaves a positive ending fund balance in the state general fund and related funds. In addition, the projected maintenance level for the budget in the ensuing biennium may not exceed available fiscal resources. Each November, the Economic and Revenue Forecast Council must submit a budget outlook document for state revenues and expenditures for the General Fund-State and related funds for the current biennium and the next ensuing biennium. To assist the council in the preparation of the state budget outlooks, a State Budget Outlook Work Group is created, consisting of one staff person from the Office of Financial Management, the Legislative Evaluation and Accountability Program Committee, the Office of the State Treasurer, the Economic and Revenue Forecast Council, the Caseload Forecast Council, the Senate Ways and Means Committee, and the House of Representatives Ways and Means Committee.

Washington State Revenue Forecast - February 2012

2011-13 General Fund-State Revenues by Source

(Dollars in Millions)



Sources of Revenue	
Retail Sales	13,848.9
Business & Occupation	6,444.0
Property	3,768.2
Use	983.4
Real Estate Excise	726.2
Public Utility	807.8
All Other	3,705.5
Total *	30,284.0

Note: Reflects the February 2012 Revenue Forecast.