

Revenues

The February 1998 General Fund revenue forecast by the Economic and Revenue Forecast Council projected \$19.45 billion in revenues for the 1997-99 biennium. Combined with the \$513 million fund balance, there were \$19.96 billion in total resources and an Initiative 601 spending limit of approximately \$19.2 billion. This allowed the Legislature to reduce revenues while still meeting spending obligations.

By far the most significant revenue bill is EHB 2894 (Chapter 321, Laws of 1998), which reduces and redistributes the motor vehicle excise tax (MVET). The financial provisions of EHB 2894 will be on the November 1998 ballot as Referendum 49. If adopted by the voters, the state general fund will be reduced by \$36 million in 1997-99, \$467 million in 1999-01, and \$516 million in 2001-03. Please refer to the Fiscal Issues of Statewide Significance section starting on page 3 for more information.

Other revenue reduction legislation includes the consolidation of the ten different B&O tax rates down to six, the elimination of the "internal distributions" tax, a reduction in the tax rate on royalty income, a tax exemption for the State Route 16 corridor (Narrows Bridge), and the creation of tax credits for businesses in community empowerment zones.

In addition, a major expansion of the senior citizen and disabled person property tax exemption program was passed. Chapter 333, Laws of 1998, Partial Veto (ESSB 6533), expands the program to include persons with annual incomes up to \$30,000 and increases the amount of relief for all participants in the program.

1998 Revenue Legislation
General Fund - State
(Dollars in Thousands)

	FY 1999	1999-2001
EHB 2894 MVET to Transportation and MVET Cut (Referendum 49)	35,700	467,400
EHB 1042 Changing the Taxation of Dental Appliances	1,097	3,344
SHB 1126 911 Funding	0	0
SHB 1184 Repealing the Sales Tax on Coin-Operated Laundromats	2,268	5,316
E2SHB 1328 Revising the B&O on the Handling of Hay, Alfalfa, and Seed	444	996
SHB 1447 Providing Tax Exemptions Related to Thoroughbred Horses	0	0 *
HB 1549 Government Restrictions/Property Tax	0	0
SHB 2051 Exempting Remedial Actions - Hazardous Waste	2,206	4,788
HB 2278 Electric Generating Facilities - Landfill Gas	299	659
HB 2309 Revising Notification of Denial of Property Tax Exemption	0	0
SHB 2315 Making Technical Corrections to Tax Statutes	0	0
HB 2335 Consolidating Business and Occupation Tax Rates	5,781	13,856
E2SHB 2342 Providing Tax Exemptions for Businesses in CEZs	1,411	9,123
HB 2476 Sales Tax Exemption for Farm Machinery Outside the State	3	7
HB 2566 Sales Tax Exemption for Sales of Laundry Service	92	215
HB 2598 Nonprofits - Property Tax	0	0
HB 2698 Lodging Tax Statutes	0	0
SHB 2711 Providing Tax Exemptions for Small Irrigation Districts	51	114
ESHB 2871 A System of Classifying Land as Agricultural Land	0	0
SHB 2917 Fuel Tax - Registration Payment	37	80
ESHB 2933 Taxation of Warehousing and Selling Pharmaceutical Drugs	0	0
HB 2969 Providing a Sales and Use Tax Exemption for Gun Safes	41	96
SHB 3015 Tax Exemptions for the State Route 16 Corridor	0	6,724
SHB 3076 Food Stamp Fraud	0	0
SHB 3096 Health Care Services/Local Preemption	0	0
SHB 5309 Excise Tax Exemption for Horses	0	0 *
SSB 5355 Extending the Use Tax Exemption for Donated Property	23	56
SB 5622 Alternative Housing for Youth in Crisis	0	199
SB 5631 Exempting Education Loan Guarantee Services from B&O	24	50
SSB 6077 Exempting Nonprofit Hospice Agencies	290	621
SB 6113 Property Tax Exemption - Nonprofit Medical Research/Training	0	0
SSB 6129 Pollution Control Tax Credit	50	50
ESSB 6205 Waiver of Interest and Penalties Delinquent-Hardship	0	0
SB 6223 Tax Appeals Board Filings	0	0
SB 6228 Aircraft Dealer License Fees	1	1
SSB 6229 Aircraft Registration Compliance	-5	-19
SB 6270 B&O Internal Distributions	4,301	9,923
SSB 6297 Local Public Health Financing	424	849
SB 6311 Property Tax on Assembly Halls	0	0
SB 6348 Sales Tax Certificate Elimination	0	0
SB 6400 Telephone Assistance Program	0	0
SB 6449 Royalty Income - B&O Rate Reduction	1,959	4,930
ESSB 6470 Canned and Custom Software	2,993	7,027
ESSB 6533 Property Tax Exemptions and Deferrals for Senior Citizens	0	0
SB 6552 Vessels and Ferries	0	0
E2SSB 6562 Pari-mutuel Tax	55	86
SB 6588 Movie Theater Snack Counters	0	0 *
SB 6599 Exempting Nonprofit Fund Raising from B&O/Sales Tax	315	743
SSB 6602 Carbonated Beverage Tax Credit	0	0 *
SB 6662 B&O Exemption to Prop. Managers for On-Site Employee Pay	620	1,411
SB 6668 Extending the Tax Deferral for Horse Racing	0	0
SB 6728 Hop Commission	6	11
SSB 6731 Removing a Property Tax Exemption for Airport Property	0	0
SSB 6737 Property Taxation Low-Income Developmentally Disabled	0	0
Tax Bills (Excluding Transportation Referendum 49)	24,788	71,256
Total All Bills (Including Transportation Referendum 49)	60,488	538,656

* See Summary of Vetoes on Page 15.

1998 REVENUE LEGISLATION

Major Tax Reduction Legislation

MVET Reduction and Redistribution -- \$35.7 Million General Fund-State Revenue Decrease

Chapter 321, Laws of 1998, Partial Veto (EHB 2894) provides funding for state and local transportation improvements using portions of the Motor Vehicle Excise Tax (MVET) that were previously deposited into the state general fund, including authorization for \$1.9 billion in bonding authority for the location, design, right of way, and construction of state and local highway improvements. The MVET is reduced through a \$30 tax credit and a change in the valuation of vehicles subject to the tax. Funding for local governments is increased, including local criminal justice assistance. These transfers are exempt from Initiative 601, and the initiative is reaffirmed. The Legislature may fund mandates they impose on local governments for local programs by new state revenue distributions in addition to specific appropriations. The foregoing is referred to the people as Referendum 49. (The Governor vetoed a section creating a joint committee to study the long-term transportation funding needs in the state and a section making a \$25 million loan to the motor vehicle fund from the general fund. Please refer to the Fiscal Issues of Statewide Significance section starting on page 3 for more information.)

Other Tax Reduction Legislation

Dental Appliances, Devices, Restorations, and Substitutes -- \$1.1 Million General Fund-State Revenue Decrease

Chapter 168, Laws of 1998 (EHB 1042), defines dental laboratory activities as manufacturing rather than as service activities for purposes of business and occupation (B&O) taxation. This results in the B&O tax rate on the sale of a dental laboratory's manufactured products decreasing from the 1.5 percent service rate to the 0.471 percent retailing rate for products sold at retail and to the 0.484 percent wholesaling rate for products sold at wholesale.

911 Emergency Communications Funding -- No General Fund-State Revenue Impact

Chapter 304, Laws of 1998 (SHB 1126), makes 20 cents per switched access line a permanent maximum tax rate for the state enhanced 911 excise tax, transfers responsibility for tax collection from the Military Department to the Department of Revenue, allows temporary state salary assistance for 911 staffing costs for counties with populations under 75,000 residents, allows state assistance to a multi-county region when two or more counties jointly operate a multi-county enhanced 911 system, and allows ongoing state salary assistance for 911 staffing costs to a multi-county region if the counties have fewer than 75,000 residents.

Coin-Operated Laundromats in Apartments and Mobile Home Communities -- \$2.3 General Fund-State Revenue Decrease

Chapter 275, Laws of 1998 (SHB 1184) exempts coin-operated laundries located in apartment complexes, rooming houses, or mobile home parks from sales and use taxes.

B&O Taxation of the Handling of Hay, Alfalfa, and Seed -- \$444,000 General Fund-State Revenue Decrease

Chapter 170, Laws of 1998 (E2SHB 1328), exempts from B&O tax wholesale sales to farmers of seed conditioned for use in planting and not packaged for retail sale or conditioning seed owned by others for use in planting.

Property Tax Assessment Reduction in Response to Government Restrictions -- No General Fund-State Revenue Impact

Chapter 306, Laws of 1998 (HB 1549), allows a property owner to request that the county assessor reconsider the value of real property if a government entity adopts a restriction on the property that limits the use of the property.

Hazardous Waste Site Cleanups -- \$2.2 Million General Fund-State Revenue Decrease

Chapter 308, Laws of 1998 (SHB 2051), exempts hazardous waste site cleanups from sales tax and reduces the B&O tax rate from the 1.5 percent service rate to the 0.471 percent retailing rate until July 1, 2003.

Electric Generating Facilities Powered by Landfill Gas -- \$299,000 General Fund-State Revenue Decrease

Chapter 309, Laws of 1998 (HB 2278), extends the machinery and equipment sales and use tax exemption for wind and sun energy facilities to facilities using landfill gas.

Notification of Denial of Property Tax Exemption -- No General Fund-State Revenue Impact

Chapter 310, Laws of 1998 (HB 2309), allows property tax exemption denial notices to be sent by regular mail rather than certified mail.

Technical Corrections to Excise and Property Tax Statutes -- No General Fund-State Revenue Impact

Chapter 311, Laws of 1998 (SHB 2315), clarifies that only mortgage brokers are exempt from paying B&O taxes on money received from borrowers and held in trust for payment of third-party costs. It subjects all nonprofit organizations eligible for property tax exemptions to the same definition of "nonprofit." Other technical corrections are made to excise and property tax statutes.

Consolidation of B&O Tax Rates into Fewer Categories -- \$5.8 Million General Fund-State Revenue Decrease

Chapter 312, Laws of 1998 (HB 2335), reduces the number of B&O tax rates from ten to six by consolidating and eliminating tax rates. It reduces the tax rate for child care providers from 1.5 percent to 0.484 percent.

Tax Exemptions for Businesses in Community Empowerment Zones That Provide Selected International Services -- \$1.4 Million General Fund-State Revenue Decrease

Chapter 313, Laws of 1998 (E2SHB 2342), provides B&O and insurance premium tax credits for creating jobs providing international services if the jobs are created inside community empowerment zones or designated areas in cities or contiguous cities larger than 80,000 that meet the unemployment and poverty criteria of empowerment zones.

Sales Tax Exemption for Parts Used for and Repairs to Farm Machinery and Implements Used Outside the State -- \$3,000 General Fund-State Revenue Decrease

Chapter 167, Laws of 1998 (HB 2476), exempts nonresidents from sales tax on parts and repair services for farm machinery and implements.

Sales of Laundry Service -- \$92,000 General Fund-State Revenue Decrease

Chapter 315, Laws of 1998 (HB 2566), removes the sale of laundry services to nonprofit health care facilities from the definition of a retail sale. This results in a sales tax exemption for these services, and the B&O tax rate for providers of these services increases from the 0.471 percent retailing rate to the 1.5 percent service rate.

Property Tax Exemptions for Nonprofit Organizations -- No General Fund-State Revenue Impact

Chapter 174, Laws of 1998 (HB 2598), makes permanent the property tax exemption granted for property leased by a nonprofit organization and used as transitional or emergency housing for low-income persons or victims of domestic violence.

Resolution of Conflicts in Lodging Tax Statutes Enacted in 1997 -- No General Fund-State Revenue Impact

Chapter 35, Laws of 1998 (HB 2698), amends hotel-motel tax statutes to resolve the conflict between the 1997 hotel-motel legislation and the 1997 football stadium legislation.

Small Irrigation Districts -- \$51,000 General Fund-State Revenue Decrease

Chapter 316, Laws of 1998 (SHB 2711), exempts an irrigation district from paying public utility and B&O taxes on its gross receipts generated from sales of drinking water if the irrigation district serves fewer than 1,500 drinking water connections and charges a residential water rate exceeding 125 percent of the average statewide residential water rate. The exemption expires July 1, 2004. The expiration of similar tax exemptions, scheduled to expire in 2003, for water-sewer districts and small water systems are extended to July 1, 2004.

Classification of Land as Agricultural Land with Long-Term Commercial Significance for Tax Purposes -- No General Fund-State Revenue Impact

Chapter 320, Laws of 1998, Partial Veto (ESHB 2871) changes the current use property tax program so that land will no longer automatically qualify for reduced valuation merely because it is designated as agricultural lands of long-term commercial significance under the Growth Management Act or because it is within an agricultural zone located outside an urban growth area. (The Governor vetoed provisions creating a new current use property tax program for land designated as agricultural land of long-term commercial significance by counties and cities planning under the GMA if the land is devoted primarily to agricultural uses and is not used for residential, industrial, or other commercial purposes and the city or county has adopted development regulations required under the GMA to conserve the agricultural land.)

Fuel Tax Registration and Payment -- \$37,000 General Fund-State Revenue Decrease

Chapter 115, Laws of 1998 (SHB 2917), makes the tax refund reporting procedure for gasoline the same as for diesel fuel by allowing a copy of the invoice, rather than the original, to accompany the refund claim form. The Department of Licensing may refuse to issue a special fuel dealer or user license to an applicant with an outstanding state aircraft fuel tax debt. Leaded racing fuel is exempted from the motor vehicle fuel tax. Revenues from the sales and use taxes on leaded racing fuel are deposited in a fund to mitigate adverse environmental impacts from transportation projects.

Business Warehousing and Selling of Pharmaceutical Drugs -- No General Fund-State Revenue Impact

Chapter 343, Laws of 1998 (ESHB 2933), reduces the tax rate for wholesalers of prescription drugs from 0.484 percent of gross income to 0.138 percent of gross income beginning July 1, 2001.

Gun Safes -- \$41,000 General Fund-State Revenue Decrease

Chapter 178, Laws of 1998 (HB 2969), exempts gun safes from sales and use taxes. Gun safes are enclosures specifically designed or modified for the purpose of storing firearms and equipped with locks or similar devices that prevent the unauthorized use of the firearms.

Tax Exemptions for the State Route 16 Corridor -- No General Fund-State Revenue Impact

Chapter 179, Laws of 1998 (SHB 3015), defers the state and local sales tax on State Route 16 corridor construction (Narrows Bridge) under the Public-Private Initiatives in Transportation (Chapter 47.46 RCW). Taxes are deferred for five years to be repaid over the following 10 years. The State Route 16 corridor improvements project is exempted from leasehold excise tax, property tax, state public utility tax, state B&O tax, real estate excise tax, and local business tax. (The General Fund-State revenue impact is in future biennia.)

Tax Information Sharing for Investigation of Food Stamp Fraud -- No General Fund-State Revenue Impact

Chapter 234, Laws of 1998 (SHB 3076), permits the Department of Revenue to disclose tax information to the U.S. Department of Agriculture for the limited purpose of investigating food stamp fraud by retailers.

Preemption of Local Taxation of Health Care Services -- No General Fund-State Revenue Impact

Chapter 323, Laws of 1998 (SHB 3096), preempts local governments from imposing excise or privilege taxes on premiums or payments for health benefit plans provided by health care service contractors and health maintenance organizations (HMOs), beginning January 1, 2000. Health care services delivered by employees of HMOs are exempt.

Property Donated to Charitable Organizations -- \$23,000 General Fund-State Revenue Decrease

Chapter 182, Laws of 1998 (SSB 5355), creates new use tax exemptions for persons who donate materials to nonprofit organizations or to state or local governments. Similarly, persons who receive donated items from a nonprofit organization are exempted from paying use tax on the items received.

New Construction of Alternative Housing for Youth in Crisis -- No General Fund-State Revenue Impact

Chapter 183, Laws of 1998 (SB 5622), makes permanent the sales and use tax exemptions for items used in constructing new alternative housing for youth in crisis.

Education Loan Guarantee Services B&O Tax Exemption -- \$24,000 General Fund-State Revenue Decrease

Chapter 324, Laws of 1998 (SB 5631), exempts nonprofit agencies that provide student loan guarantees through programs other than the federal Guaranteed Student Loan Program from B&O taxes.

Nonprofit Hospice Agencies B&O Exemptions -- \$290,000 General Fund-State Revenue Decrease

Chapter 325, Laws of 1998 (SSB 6077), exempts nonprofit hospice agencies from paying B&O taxes on amounts received as compensation for patient services or as proceeds from the sale of prescription drugs furnished to patients.

Nonprofit Organizations Providing Medical Research or Training of Medical Personnel -- No General Fund-State Revenue Impact

Chapter 184, Laws of 1998 (SB 6113), exempts a nonprofit corporation or association from paying property taxes on leased property if: 1) the leased property is used for medical research which is made available to the public without cost; or 2) the leased property is made available without charge to medical or hospital personnel for training or research purposes.

Pollution Control Tax Credit -- \$50,000 General Fund-State Revenue Decrease

Chapter 9, Laws of 1998 (SSB 6129), removes the requirement that a holder of a certificate for tax credits for a pollution control facility must apply for a new certificate when the facility is modified.

Waiver of Interest and Penalties on Property Taxes Delinquent Because of Hardship -- No General Fund-State Revenue Impact

Chapter 327, Laws of 1998 (ESSB 6205), requires counties to waive interest and penalties owed on delinquent property taxes on a personal residence if the reason for the delinquency is the death of a spouse, parent, or stepparent and the taxpayer notifies the county within 60 days of the tax due date of these hardship circumstances. The county may require the taxpayer to furnish a death certificate and to sign an affidavit.

Tax Appeals Board Filings -- No General Fund-State Revenue Impact

Chapter 54, Laws of 1998 (SB 6223), provides for the use of the postmark to determine the date of filing for excise tax appeals and provides for sending a copy of the notice of appeal to all named parties by the Board of Tax Appeals rather than the appellant.

Aircraft Dealer License Fees -- \$1,000 General Fund-State Revenue Decrease

Chapter 187, Laws of 1998 (SB 6228), increases the aircraft dealer's license fee from \$25 to \$75. The annual renewal fee is increased from \$10 to \$75. The cost for additional dealer license certificates is increased from \$2 to \$10. The fee to reapply after a dealer's license expiration is increased from \$25 to \$75. Registration fees are deposited into the Aeronautics Account rather than the General Fund.

Aircraft Registration Compliance -- \$5,000 General Fund-State Revenue Increase

Chapter 188, Laws of 1998 (SSB 6229), requires port districts and municipalities that operate airports to require from an aircraft owner proof of aircraft registration or proof of the intent to register an aircraft as a condition of leasing or selling tie down or hangar space for an aircraft.

Elimination of the B&O Tax on Internal Distributions -- \$4.3 Million General Fund-State Revenue Decrease

Chapter 329, Laws of 1998 (SB 6270), eliminates the B&O tax on firms distributing merchandise from their own warehouses to two or more of their own retail stores. This "internal distributions" tax previously applied at the 0.484 percent rate on the value of the articles distributed.

Local Public Health Financing -- \$424,000 General Fund-State Revenue Decrease

Chapter 266, Laws of 1998 (SSB 6297), provides for use of excess revenues in the County Sales and Use Tax Equalization Account to cover the cost of including the populations of cities over 50,000 that incorporated in 1996 and 1997 in the county public health funding calculation.

Assembly Halls or Meeting Places Used for the Promotion of Specific Educational Purposes -- No General Fund-State Revenue Impact

Chapter 189, Laws of 1998 (SB 6311), allows a nonprofit assembly hall or meeting place located in a county with fewer than 10,000 residents to be used for private dance, art, or music classes without affecting the tax-exempt status of the property.

Sales Tax Certificate Elimination -- No General Fund-State Revenue Impact

Chapter 330, Laws of 1998 (SB 6348), eliminates the duplicate reporting requirement for sales and use tax exemptions for machinery and equipment used directly in a manufacturing operation or research and development operation. (The Governor vetoed provisions prohibiting the denial of an exemption solely on the basis that a duplicate was not filed and the January 1, 1999, effective date.)

Telephone Assistance Program -- No General Fund-State Revenue Impact

Chapter 159, Laws of 1998 (SB 6400), extends from June 30, 1998, to June 30, 2003, the program providing assistance to low-income persons in obtaining basic telephone services. The program is funded by an excise tax of up to \$0.14 per month on all switched access lines.

B&O Tax Rate for Income in the Nature of Royalties for the Use of Intangible Rights -- \$2.0 Million General Fund-State Revenue Decrease

Chapter 331, Laws of 1998 (SB 6449), reduces the B&O tax rate on royalty income from 1.5 percent to 0.484 percent.

Canned and Custom Software -- \$3.0 Million General Fund-State Revenue Decrease

Chapter 332, Laws of 1998, Partial Veto (ESSB 6470), taxes the customization of canned software as a service rather than as a sale subject to retail sales tax. (The Governor vetoed provisions eliminating the B&O tax for firms that create, distribute, wholesale, or warehouse canned or custom software in distressed counties for the first 36 months of operation and reducing the tax after 36 months by 90 percent for firms creating or distributing canned or custom software and reducing the tax by 70 percent for firms wholesaling or warehousing canned or custom software.)

Property Tax Exemptions and Deferrals for Senior Citizens and Persons Retired for Reasons of Physical Disability -- No General Fund-State Revenue Impact

Chapter 333, Laws of 1998, Partial Veto (ESSB 6533), increases the \$15,000 income threshold for the property tax relief program to \$18,000 for senior citizens and persons retired due to disability. The valuation exempt from regular property taxes for persons with incomes less than this amount is increased from \$30,000 or 30 percent of the value, whichever is greater, but not more than \$50,000 to \$40,000 or 35 percent of the value, whichever is greater, but not more than \$60,000. The \$18,000 income threshold is increased to \$24,000. The valuation exempt from regular property taxes for persons with incomes less than this amount but greater than the lower threshold is increased from \$34,000 or 50 percent of the value to \$50,000 or 60 percent of the value. The \$28,000 income threshold is increased to \$30,000. (The Governor vetoed the increase in the parcel size eligible for tax relief from 1 acre to 5 acres if the larger parcel size is required under land use regulations, a deduction from income for medical insurance payments, and an exclusion of veterans' disability payments.)

Ad Valorem Taxation of Vessels or Ferries -- No General Fund-State Revenue Impact

Chapter 335, Laws of 1998 (SB 6552), makes the property taxation of all commercial vessels the same by eliminating the steamboat vessel classification.

Pari-mutuel Tax -- \$43,000 General Fund-State Revenue Decrease

Chapter 345, Laws of 1998, Partial Veto (E2SSB 6562), decreases the pari-mutuel taxes on licensed horse racing events and increases the amount of gross receipts that may be retained by the licensee. The revenue distributions are changed. The changes expire June 30, 2001. (The Governor vetoed a section making the effectiveness of the bill contingent on funding in the budget.)

Fund-Raising Activities by Nonprofit Organizations -- \$315,000 General Fund-State Revenue Decrease

Chapter 336, Laws of 1998 (SB 6599), expands B&O and sales tax exemptions for nonprofit organizations' fund-raising activities. Eligible nonprofit organizations are exempt from paying B&O taxes on income earned from fund-raising activities involving direct solicitation or the exchange of goods or services for money. Goods and services sold by an eligible nonprofit organization during a fund-raising activity are also exempt from sales tax. Fund-raising activities do not include, however, the operation of a regular place of business such as a thrift store or bookshop.

Property Managers' Compensation -- \$620,000 General Fund-State Revenue Decrease

Chapter 338, Laws of 1998 (SB 6662), exempts from B&O tax amounts received by property management companies for the payment of wages and benefits to on-site personnel.

Tax Deferrals for New Thoroughbred Race Tracks -- No General Fund-State Revenue Impact

Chapter 339, Laws of 1998 (SB 6668), delays the repayment date of the deferred sales and use taxes on the construction of the new thoroughbred horse racing facility for five years to December 31, 2006.

Hop Commission B&O Tax Exemption -- \$6,000 General Fund-State Revenue Decrease

Chapter 200, Laws of 1998 (SB 6728), provides a B&O tax exemption for amounts received by a nonprofit organization from business activities for a hop commodity commission or board if the activity is approved by a referendum conducted by the commission or board.

Property Tax Exemption for Larger Airports Belonging to Out-of-State Municipal Corporations -- No General Fund-State Revenue Impact

Chapter 201, Laws of 1998 (SSB 6731), repeals the property tax exemption for airports larger than 500 acres that belong to municipal corporations in adjoining states.

Property Taxation of Residential Housing Occupied by Low-Income Developmentally Disabled Persons -- No General Fund-State Revenue Impact

Chapter 202, Laws of 1998 (SSB 6737), exempts from property taxation all real or personal property owned and used by a nonprofit organization to provide housing for low-income persons with developmental disabilities.

Summary of Full Vetoes

Carbonated Beverage Tax Credit Against B&O Taxes

SSB 6602 allowed retailers to claim a credit against the B&O tax for one-half the amount of beverage syrup taxes paid. As enacted by the Legislature, SSB 6602 decreased General Fund-State revenues by \$4.1 million.

Movie Theater Snack Counters Exempted from the Stadium Tax Imposed on Restaurants

SB 6588 provided that the special county 0.5 percent stadium food and beverage tax does not apply to consumable items sold at snack counters located in movie theaters or in centers or theaters for the performing arts. There was no General Fund-State revenue impact.

Thoroughbred Horses Taxation

SHB 1447 exempted persons who race, raise, ride, exercise, groom, breed, train, or sell thoroughbred race horses from paying B&O taxes on amounts received as compensation for these services or sales transactions, including amounts received from purse winnings or awards. As enacted by the Legislature, SHB 1447 decreased General Fund-State revenues by \$1.2 million.

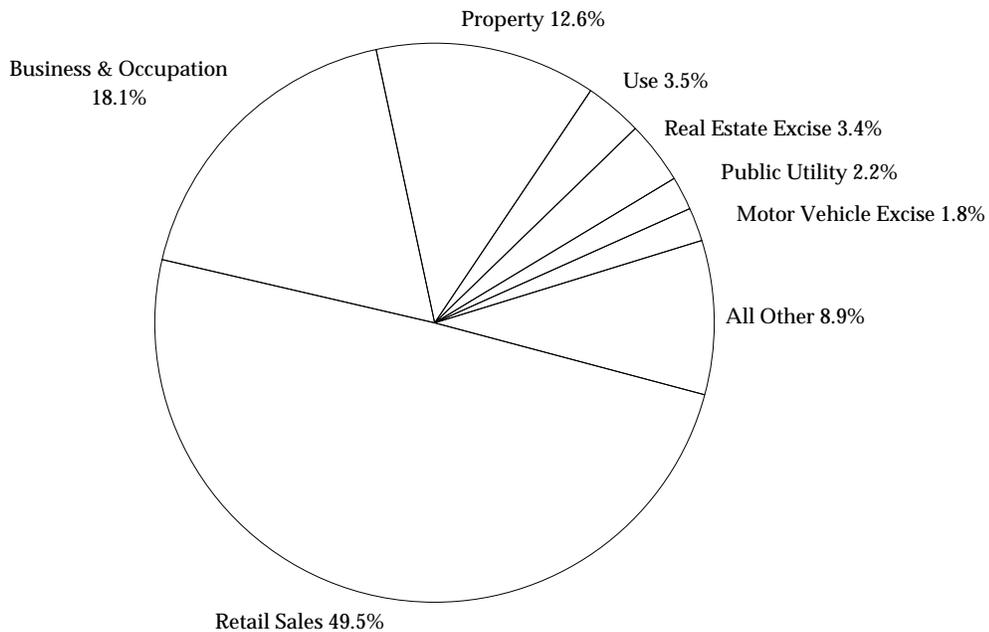
Excise Tax Exemptions Related to Horses

SSB 5309 exempted feed sold for horses from sales and use taxes. SSB 5309 also exempted any amounts received as compensation for boarding, breeding, or selling horses from B&O taxes. As enacted by the Legislature, SSB 5309 decreased General Fund-State revenues by \$1.8 million.

Washington State Revenue Forecast - February 1998

1997-99 General Fund - State Revenues by Source

(Dollars in Millions)

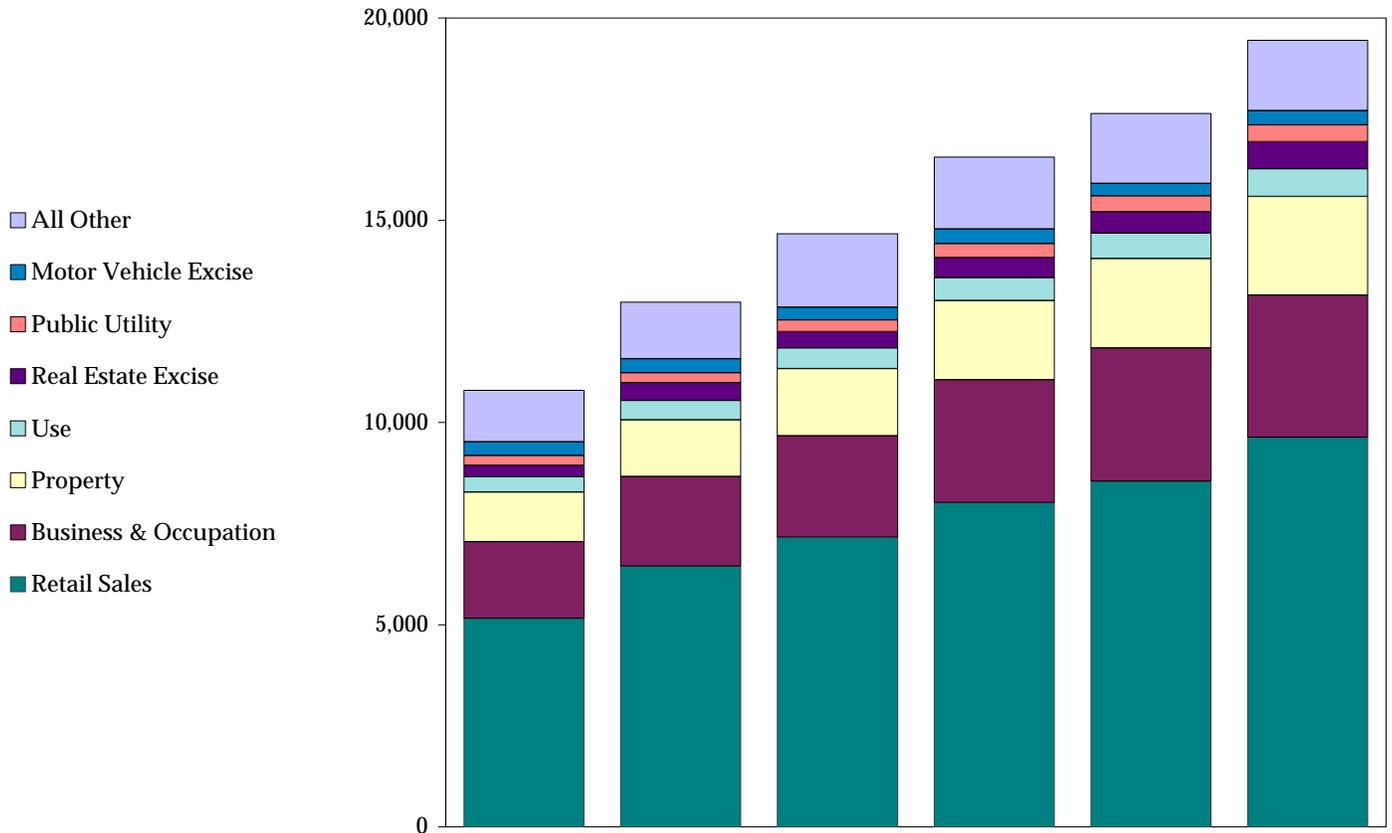


Sources of Revenue	
Retail Sales	9,627.7
Business & Occupation	3,516.3
Property	2,444.9
Use	681.6
Real Estate Excise	665.8
Public Utility	422.5
Motor Vehicle Excise	352.7
All Other	1,734.3
Total *	19,445.8

* Reflects the February 1998 Revenue Forecast.

Note: Beginning in June 1997, the general fund portion of the motor vehicle excise tax (MVET) collections no longer includes distributions to other funds. Historical amounts have been adjusted to be comparable.

Washington State
General Fund - State Revenues By Source
(Dollars in Millions)



	1987-89	1989-91	1991-93	1993-95	1995-97	1997-99*
Retail Sales	5,152.8	6,446.3	7,163.0	8,020.5	8,541.8	9,627.7
Business & Occupation	1,894.3	2,217.7	2,503.5	3,031.5	3,300.1	3,516.3
Property	1,233.7	1,399.4	1,661.8	1,960.4	2,211.7	2,444.9
Use	372.6	481.9	515.1	569.4	626.1	681.6
Real Estate Excise	280.9	436.8	399.0	493.0	532.6	665.8
Public Utility	244.9	244.0	292.9	345.2	388.1	422.5
Motor Vehicle Excise	343.9	348.0	312.4	363.6	307.8	352.7
All Other	1,271.9	1,397.9	1,817.0	1,780.9	1,729.5	1,734.3
Total	10,795.0	12,972.0	14,664.7	16,564.5	17,637.7	19,445.8

* Reflects the February 1998 Revenue Forecast.

Washington State General Fund - State Revenues By Source

Dollars in Millions

	1987-89	1989-91	1991-93	1993-95	1995-97	1997-99 *
Retail Sales	5,152.8	6,446.3	7,163.0	8,020.5	8,541.8	9,627.7
Business & Occupation	1,894.3	2,217.7	2,503.5	3,031.5	3,300.1	3,516.3
Property	1,233.7	1,399.4	1,661.8	1,960.4	2,211.7	2,444.9
Use	372.6	481.9	515.1	569.4	626.1	681.6
Real Estate Excise	280.9	436.8	399.0	493.0	532.6	665.8
Public Utility	244.9	244.0	292.9	345.2	388.1	422.5
Motor Vehicle Excise	343.9	348.0	312.4	363.6	307.8	352.7
All Other	1,271.9	1,397.9	1,817.0	1,780.9	1,729.5	1,734.3
Total	10,795.0	12,972.0	14,664.7	16,564.5	17,637.7	19,445.8

Percent of Total

Retail Sales	47.7%	49.7%	48.9%	48.4%	48.4%	49.5%
Business & Occupation	17.6%	17.1%	17.1%	18.3%	18.7%	18.1%
Property	11.4%	10.8%	11.3%	11.8%	12.5%	12.6%
Use	3.5%	3.7%	3.5%	3.4%	3.6%	3.5%
Real Estate Excise	2.6%	3.4%	2.7%	3.0%	3.0%	3.4%
Public Utility	2.3%	1.9%	2.0%	2.1%	2.2%	2.2%
Motor Vehicle Excise	3.2%	2.7%	2.1%	2.2%	1.8%	1.8%
All Other	11.8%	10.8%	12.4%	10.8%	9.8%	8.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Percent Change from Prior Biennium

Retail Sales	25.1%	11.1%	12.0%	6.5%	12.7%
Business & Occupation	17.1%	12.9%	21.1%	8.9%	6.6%
Property	13.4%	18.8%	18.0%	12.8%	10.5%
Use	29.3%	6.9%	10.5%	10.0%	8.9%
Real Estate Excise	55.5%	-8.7%	23.6%	8.0%	25.0%
Public Utility	-0.4%	20.0%	17.9%	12.4%	8.9%
Motor Vehicle Excise	1.2%	-10.2%	16.4%	-15.4%	14.6%
All Other	9.9%	30.0%	-2.0%	-2.9%	0.3%
Total	20.2%	13.1%	13.0%	6.5%	10.3%

* Reflects the February 1998 Revenue Forecast.

Note: Beginning in June 1997, the general fund portion of the motor vehicle excise tax (MVET) collections no longer includes distributions to other funds. Historical amounts have been adjusted to be comparable.