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DEPARTMENT OF REVENUE
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January 8, 2024

TO: Sarah Bannister, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: Drew Shirk, Director DIS
Department of Revenue

SUBJECT: 2024 Tax Exemption Study

The 2024 Tax Exemption Study is submitted to you pursuant to RCW 43.06.400. This edition is the fifteenth in a series of tax exemption studies, starting with the first report in 1984.

Study covers 786 tax exemptions
There are currently 786 tax exemptions for the major Washington state and local tax sources. The estimated savings in state and local taxes for taxpayers resulting from these exemptions total $192.1 billion for the 2023-25 biennium. For each exemption, the following is provided:

- A brief description.
- The purpose of the exemption.
- Taxpayer savings.
- Potential revenue gains from a full repeal of the exemption.
- Additional information, such as the year of enactment and the primary beneficiaries.

Study provided electronically
To reduce the cost of producing this study, we are providing it to you electronically. The report is also available on our website at: dor.wa.gov/about/statistics-reports.

If you have questions about this report, please contact Kathy Oline, Assistant Director of Research and Fiscal Analysis, at (360) 534-1534.

Attachment

cc: Members, Senate Ways and Means Committee
Members, House Finance Committee
Members, House Appropriations Committee
David Schumacher, Director, Office of Financial Management
Pat Sullivan, Executive Director, Legislative Affairs

2024 Tax Exemption Study

A Study of Tax Exemptions, Exclusions or Deductions From the Base of a Tax; a Credit Against a Tax; a Deferral of a Tax; or a Preferential Tax Rate

As Authorized by RCW 43.06.400

Drew Shirk, Director
Washington State Department of Revenue

Department of Revenue Washington State

2024 Tax Exemption Study

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Department of
Revenue
Washington State

Chapter One - Introduction and Summary of Findings

INTRODUCTION

The Tax Exemption Study lists exemptions for the major state and local taxes in Washington and is authorized by the Revised Code of Washington (RCW) 43.06.400.

Tax exemptions

The term *tax exemption* includes a variety of preferences that reduce tax liability for taxpayers. Tax exemptions include:

- Exclusions.
- Deductions.
- Credits.
- Deferrals.
- Preferential tax rates.
- Exemptions.

Department of Revenue (department) staff estimated the impact of each exemption. Sales and use tax exemptions for the same product or activity are included as a single estimate. In other cases, there are multiple estimates for a single statute to illustrate the impacts better.

The summary of each exemption includes:

- A brief description.
- The purpose of the exemption.
- Taxpayer savings.
- Potential revenue gains from a full repeal of the exemption.
- Additional information.

Taxpayer savings versus potential revenue gain

Number of Incentives	STATE Taxpayer Savings (FY 2025)	STATE Revenues Realized from Repeal (FY 2025)
786	54,689,446,000	24,600,443,000

Savings to taxpayers do not indicate the potential revenue that governmental jurisdictions would accrue if the exemption did not exist. For example, some exemptions will not increase state revenues by the same amount as the taxpayer savings due to:

- Constitutional prohibitions against taxing certain activities.
- Possible changes in taxpayer reporting behavior.
- Actual cash receipts are lower because of compliance factors.

The Tax Exemption Study *does not* include:

- Locally administered taxes such as the municipal business taxes.
- Discussion regarding tax policy related to the exemption.
- Recommendations to keep or terminate existing exemptions.

Forecast

All estimates use the March 2023 Economic and Revenue Forecast Council forecast unless otherwise noted.

Revised Code of Washington (RCW) Citation

The full RCW citation is included if it was available at the time that the exemption was analyzed.

SUMMARY OF FINDINGS

The current study analyzes 786 tax exemptions. The state and local impacts of these tax exemptions combine for an estimated taxpayer savings of $192.1 billion for the 2023-25 biennium. Approximately 56% of the total, or $107.4 billion, are exemptions from state taxes. Exemptions from local government taxes amount to $84.7 billion.

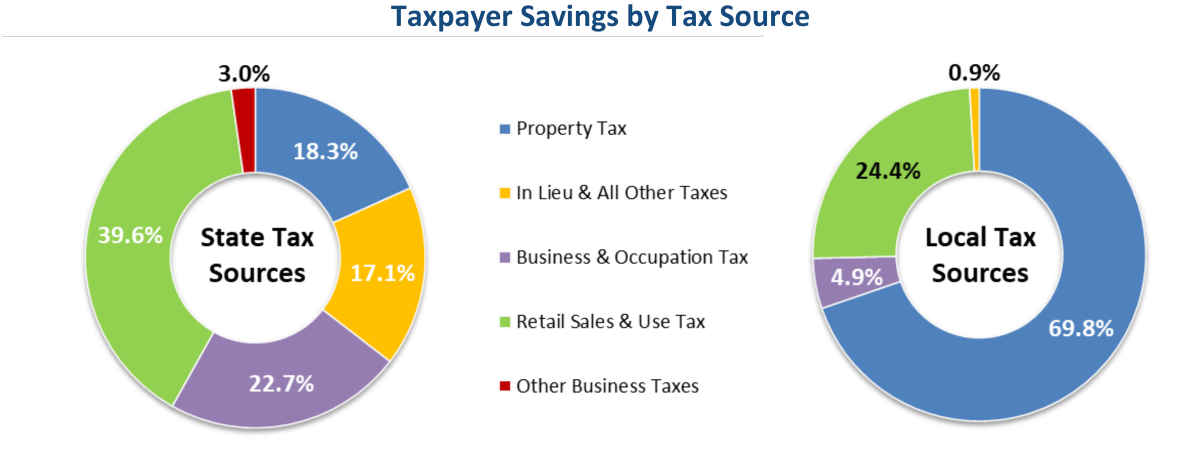
Table 1 summarizes the number of exemptions and the distribution of state and local impacts for the various types of taxes considered in this study.

Table 1
Summary of Tax Exemption Impacts by Tax Source
Estimated Taxpayer Savings
2023-25 Biennium ($ millions)

Tax Source	Number of Exemptions	State Tax Savings	Local Tax Savings	Total Savings for Biennium
Property Tax	119	$19,654.732	$59,062.284	$78,717.016
In Lieu Excise Taxes	51	329.860	258.625	$588.485
Business & Occupation Tax	205	24,370.901	4,127.380	$28,498.281
Retail Sales & Use Tax	230	42,541.680	20,677.860	$63,219.540
Other Business Taxes	96	2,451.265	0.000	$2,451.265
All Other Taxes	85	18,094.121	540.908	$18,635.029
Total	**786**	**$107,442.559**	**$84,667.057**	**$192,109.616**

Chart 1 shows tax savings by tax source as a percent of the total. Nearly 40% of the state impact is from retail sales and use tax exemptions, while more than 69% of local tax impact is from property tax exemptions.

Chart 1
Taxpayer Savings by Tax Source



Taxpayer savings versus potential revenue gains from a full repeal

Savings to taxpayers do not indicate the potential revenue that governmental jurisdictions would accrue if the exemption did not exist. For this reason, each exemption provides the estimated taxpayer savings plus the potential revenue gain from a full repeal of the exemption.

- For many excise taxes, there is a one-to-one relationship between the amount the taxpayers save and the amount the government gives up in potential revenues.
- Other exemptions may cause possible changes in taxpayer reporting behavior, which could restrict the potential revenues realized.
- Several exemptions exist because of constitutional reasons and are not a reliable source of potential new governmental revenue.
- Depending on the year a property tax exemption is repealed, it may increase state revenues or shift property taxes back to currently exempt taxpayers.

Table 2a shows the taxpayer savings for the 2023-25 biennium and the amount of potential revenue gains with a full repeal of the exemptions as of July 1, 2024. The potential gains reflect no collections in fiscal year 2024 and 11 months of collections in fiscal year 2025, the second year of the biennium.

Table 2a
Taxpayer Savings versus Potential Revenue Gains by Tax Source
2023-25 biennium ($ millions)

Tax Source	State Tax Savings	State Potential Revenue Gains	Difference	Local Tax Savings	Local Potential Revenue Gains	Difference
Property Tax	19,654.732	(1.303)	19,656.035	59,062.284	839.570	58,222.714
In Lieu Excise Taxes	329.860	127.100	202.760	258.625	97.941	160.684
Business & Occupation Tax	24,370.901	8,948.549	15,422.352	4,127.380	2,033.909	2,093.471
Retail Sales & Use Tax	42,541.680	12,165.508	30,376.172	20,677.860	6,302.011	14,375.849
Other Business Taxes	2,451.265	1,107.613	1,343.652	0.000	0.000	0.000
All Other Taxes	18,094.121	2,252.976	15,841.145	540.908	256.382	284.526
Total	**107,442.559**	**24,600.443**	**82,842.116**	**84,667.057**	**9,529.813**	**75,137.244**

Table 2b shows the taxpayer savings and potential revenue gains from a full repeal of the exemptions for the 2025-27 biennium to reflect a full 24-month impact for both the savings and gains.

Table 2b
Taxpayer Savings versus Potential Revenue Gains by Tax Source
2025-27 biennium ($ millions)

Tax Source	State Tax Savings	State Potential Revenue Gains	Difference	Local Tax Savings	Local Potential Revenue Gains	Difference
Property Tax	18,986.031	(2.942)	18,988.973	60,650.915	3,243.347	57,407.568
In Lieu Excise Taxes	343.665	343.665	0.000	271.108	270.119	0.989
Business & Occupation Tax	28,050.805	23,294.861	4,755.944	5,121.130	5,120.099	1.031
Retail Sales & Use Tax	45,875.196	29,989.269	15,885.927	22,545.961	15,585.205	6,960.756
Other Business Taxes	2,695.481	2,431.170	264.311	0.000	0.000	0.000
All Other Taxes	19,038.823	11,714.294	7,324.529	666.234	666.234	0.000
Total	**114,990.001**	**67,770.317**	**47,219.684**	**89,255.348**	**24,885.004**	**64,370.344**

Taxpayer savings versus forecasted revenue collections

Table 3 and Chart 2 compare the estimated taxpayer savings from exemptions for selected state taxes with the Economic and Revenue Forecast Council forecasted revenues for those same tax sources.

The total taxpayer savings for these state taxes is $88.1 billion for the 2023-25 biennium, which is $31.1 billion more than the forecasted revenues of $57 billion.

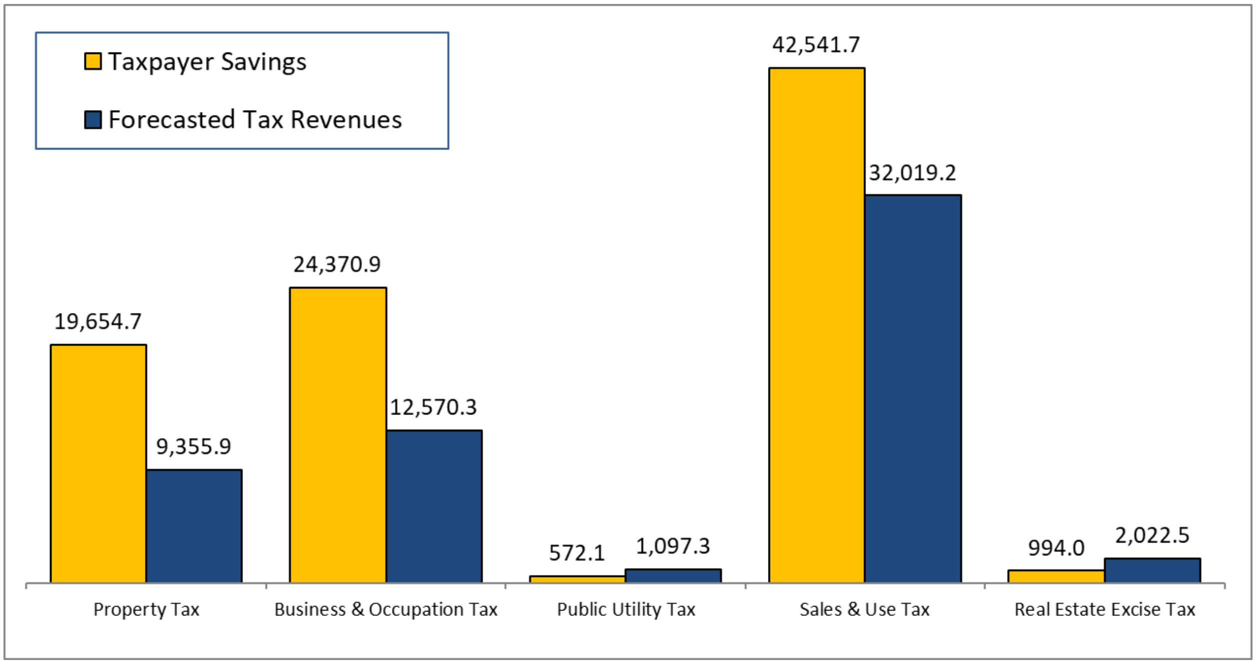
Table 3
Comparison between Taxpayer Savings and Revenues
Selected Major State Tax Sources
2023-25 biennium ($ millions)

State Tax Source	Taxpayer Savings from Exemptions	Forecasted Tax Revenues[1]	Exemptions as a Percent of Revenue
State Property Tax Levy	19,654.732	9,355.861	210.1%
State Business & Occupation Tax	24,370.901	12,570.308	193.9%
Public Utility Tax	572.129	1,097.299	52.1%
Retail Sales & Use Tax	42,541.680	32,019.201	132.9%
Real Estate Excise Tax	994.046	2,022.542	49.1%
Total	**88,133.488**	**57,065.212**	**154.4%**

[1]Economic and Revenue Forecast Council (March 2023 Forecast)

Taxpayer savings for state property tax and the business and occupation tax exemptions are significantly higher than the forecasted revenues for these tax sources in the 2023-25 biennium.

Chart 2
Comparison between Taxpayer Savings and Revenues
Selected Major State Tax Sources
2023-25 biennium ($ millions)



Categorical Analysis

Tax exemptions are established for a variety of reasons. In an attempt to present more meaningful data for the various types of exemptions, eight categories were developed. Each exemption is assigned to the category that most closely represents its general purpose or type of beneficiary (recognizing that many exemptions serve multiple purposes).

A brief description of the exemption categories appears below:

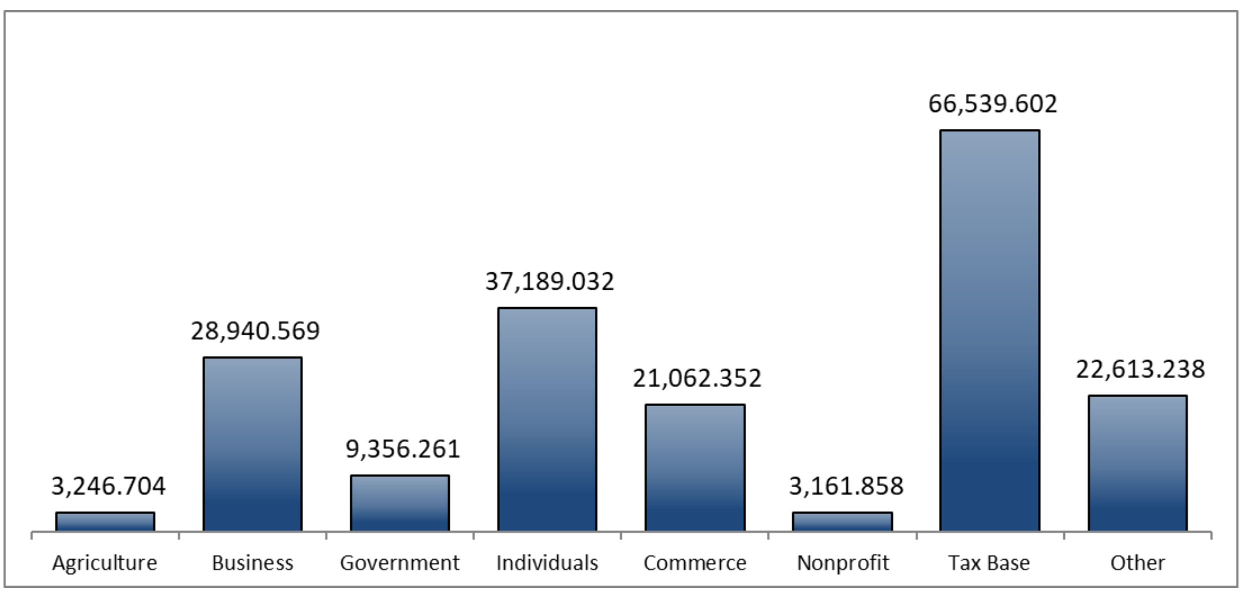
Category	Number of Exemptions	Brief Description of Category
Agriculture	63	There are a variety of property, B&O, sales, and other tax exemptions for agricultural businesses.
Business	278	These exemptions generally benefit business entities.
Government	82	Governmental jurisdictions include the federal government, the state of Washington, local governments, and foreign countries.
Individuals	93	These exemptions generally benefit people as opposed to businesses or other entities.
Interstate Commerce	22	The U.S. Constitution prohibits direct taxation of interstate commerce. The Legislature has enacted exemptions to ensure Washington does not violate this requirement.
Nonprofit	95	There are a variety of property, B&O, and sales tax exemptions allowed for nonprofit organizations.
Tax Base	87	This category includes activities the Legislature purposefully excluded in the original tax base. For example, there is an exemption to assure employees are not subject to B&O tax on their salaries and wages.
Other	66	Some exemptions do not fit easily into one category. These are included in the "Other" category. As an example, the exemption for intangibles benefits the agricultural industry, businesses, and individuals.

Table 4 summarizes the results of the categorical analysis. Tax base, individuals, and business represent the top three categories with 34.6%, 19.4%, and 15.1%, respectively.

Table 4
Tax Exemptions by Category
2023-25 biennium ($ millions)

Category	Number of Exemptions	State Tax Savings	Local Tax Savings	Total Tax Savings	Percent of Total
Agriculture	63	2,286.161	960.543	3,246.704	1.7%
Business	278	19,073.115	9,867.454	28,940.569	15.1%
Government	82	3,153.403	6,202.858	9,356.261	4.9%
Individuals	93	28,359.498	8,829.534	37,189.032	19.4%
Interstate Commerce	22	16,623.831	4,438.521	21,062.352	11.0%
Nonprofit	95	2,357.251	804.607	3,161.858	1.6%
Tax base	87	17,982.826	48,556.776	66,539.602	34.6%
Other	66	17,606.474	5,006.764	22,613.238	11.8%
Total	**786**	**107,442.559**	**84,667.057**	**192,109.616**	**100.0%**

Chart 3
Tax Exemptions by Category
2023-25 biennium ($ millions)



Tax exemptions enacted by year

Until 1935, no more than a half dozen new exemptions appeared in any single year. With the adoption of the Revenue Act of 1935 came many new exemptions; 43 of which are still in statute today. These were associated with:

- Retail sales and use taxes.
- B&O tax.
- Various other new state excise taxes.

Table 5 shows the number of current tax exemption statutes over time, starting in Washington's territorial days.

Table 5
Current Tax Exemptions by Year of Enactment

Year Adopted	Number	Year Adopted	Number	Year Adopted	Number	Year Adopted	Number
1854	4	1951	9	1983	13	2005	20
1871	1	1953	2	1984	6	2006	15
1886	1	1955	7	1985	8	2007	15
1889	5	1957	1	1986	9	2008	14
1890	3	1959	3	1987	16	2009	25
1891	2	1961	5	1988	3	2010	9
1911	1	1963	4	1989	28	2011	9
1915	3	1965	9	1991	8	2012	6
1923	3	1967	20	1992	4	2013	12
1925	2	1970	11	1993	13	2014	5
1929	1	1971	14	1994	4	2015	17
1931	4	1972	1	1995	15	2016	4
1933	4	1973	5	1996	10	2017	12
1935	43	1974	5	1997	18	2018	5
1937	2	1975	12	1998	21	2019	26
1940	2	1976	12	1999	6	2020	7
1941	1	1977	4	2000	8	2021	25
1943	3	1979	12	2001	22	2022	15
1945	5	1980	12	2002	5	2023	15
1947	3	1981	7	2003	29		
1949	13	1982	4	2004	19	Total	786

The following two charts show tax exemptions in current statutes:

- Enacted by year.
- The cumulative number by decade.

Chart 4

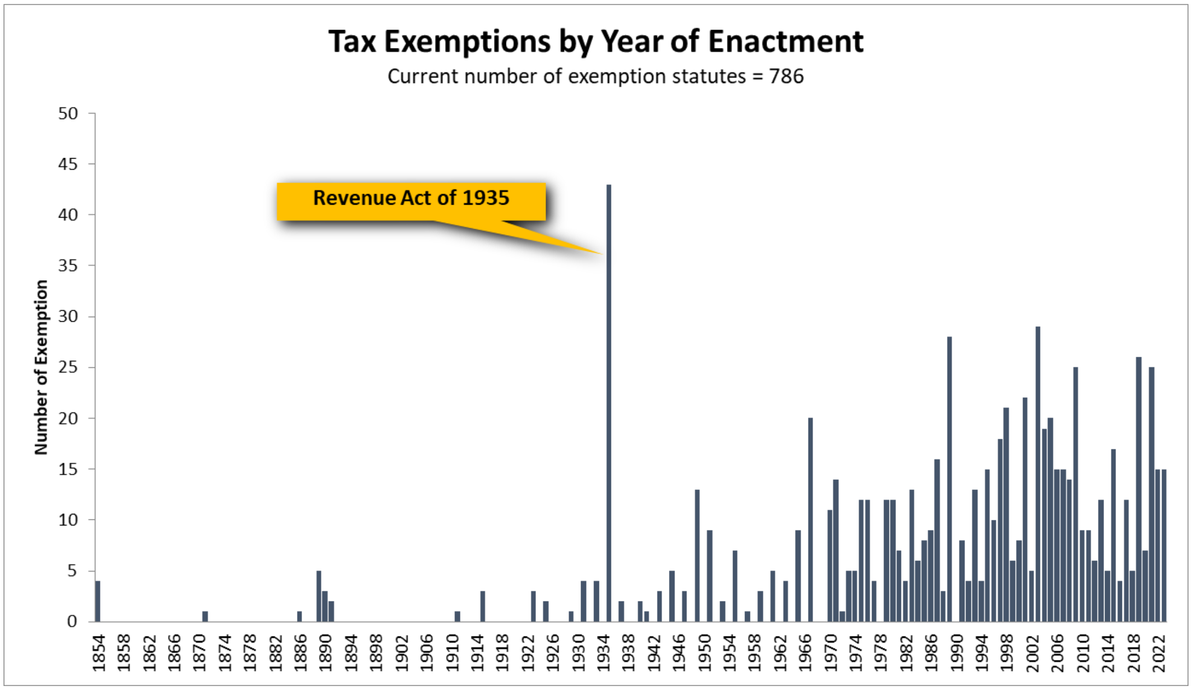
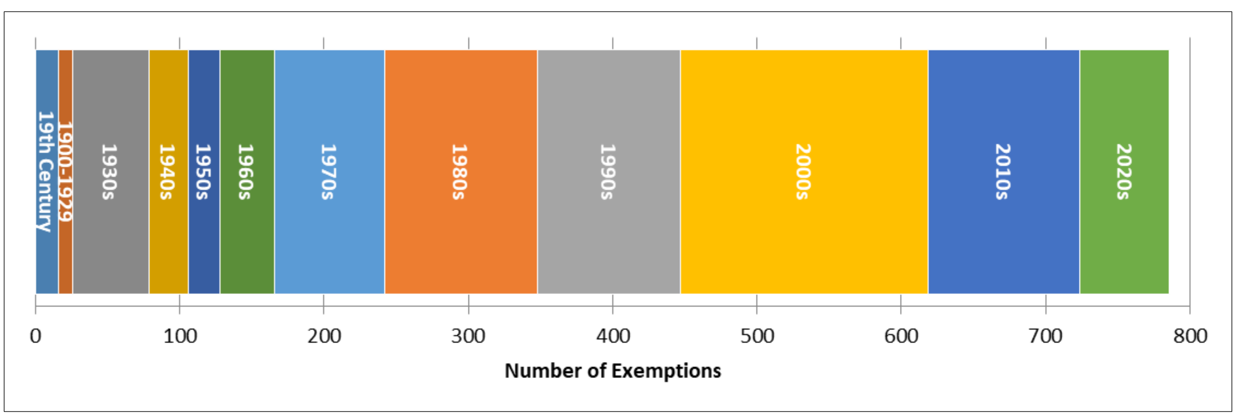


Chart 5
Cumulative Number of Tax Exemption Enacted by Decade



Chapter 2
Business and Occupation Tax

48.32.130 - Insurance guarantee association

Description

The Washington Insurance Guarantee Association (Association) is exempt from all fees and taxes levied by the state or its political subdivisions, except taxes levied on real or personal property.

The Association protects policyholders from insolvent insurers. Insurance companies pay an assessment to the Association to provide funding for payments to any policyholders whose insurance company is unable to provide compensation under the terms of their policies.

Purpose

To protect insurance policyholders and reflect the fact that the receipt of assessments from insurance companies by the Association does not represent engaging in business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues if the receipt of these assessments were considered as engaging in business by the Association.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1971
Primary Beneficiaries:	Washington Insurance Guaranty Association
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.040(1)(b) - Tow truck operator vehicle sales

Description

The following are exempt from the definition of a retail sale:

- The sale of an abandoned vehicle sold by a registered tow truck operator to a successful bidder at a public auction.
- The sale of an abandoned vehicle sold by a registered tow truck operator to a licensed vehicle wrecker, hulk hauler, or scrap processor, when there is no successful bidder as described above.

This exemption expires January 1, 2030.

Purpose

To make administration of the sales and use taxes easier for tow truck operators.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.031	$0.031	$0.033	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.029	$0.033	$0.034
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer purchases of vehicles growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This activity would be taxed at 1.5% if this exemption was repealed.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast for light vehicles

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Tow truck operators
Taxpayer Count:	1,750
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.040(1)(c) - Senior living community meals

Description

Whether the tenant is a resident of an assisted living facility or a continuing care retirement community, food, drink, or meals provided by a senior living community to tenants as part of a rental or residency agreement for which the community makes no separate charge are exempt from the definition of a retail sale. Businesses are subject to service and other activities B&O tax instead of retailing B&O tax.

Purpose

To reduce the cost of meals for tenants at senior living communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.192	$1.463	$1.523	$1.583
Local Taxes	$0.660	$0.820	$0.850	$0.880

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.353	$1.523	$1.583
Local Taxes	$0.000	$0.750	$0.850	$0.880

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Currently, one-third of senior living communities bundle charges for rent and meals to residents such that sales tax applies to the sale of meals. As a result, this repeal impacts one-third of senior living communities' charges for meals.

Data Sources

- Department of Revenue, audit data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Social and Health Services, Assisted living and continuing care data
- Food Service Director, "2014 LTC/Senior Living Census: Ancillary foodservice locations gain in popularity"

82.04.040(1)(c) - Senior living community meals

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2023
Primary Beneficiaries:	Senior living community tenants
Taxpayer Count:	40,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.062 - Precious metals and monetized bullion

Description

Sales of precious metals and monetized bullion are exempt from B&O tax. However, bullion dealers are subject to B&O tax under the service classification on commissions they receive for buying and selling these bullions on behalf of their customers. The sales tax portion of this report discusses the sales tax portion of the exemption.

Purpose

To provide tax relief to bullion dealers who compete with dealers in other states who are often not subject to Washington taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.418	$1.474	$1.531	$1.589
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.351	$1.531	$1.589
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activities growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchasers of precious metal and monetized bullion
Taxpayer Count:	71
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2024

82.04.110(2)(b) - Aluminum master alloy producers

Description

A person who produces aluminum master alloys is a processor for hire rather than a manufacturer, regardless of the portion of aluminum provided by the person's customer. Producers of aluminum master alloys pay processing for hire B&O tax upon the total charge for those services.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review in 2014 with an upcoming review in 2024

82.04.120(2)(a) - Hay cubing

Description

Manufacturing excludes cubing hay or alfalfa (compacting hay into small cubes for shipping, mainly to foreign markets) for B&O tax purposes. As a result, farmers who compact their own hay or alfalfa into cubes for sale at wholesale, are not subject to B&O tax.

Persons who cube hay or alfalfa for others are subject to the service or wholesaling B&O tax depending on where the activity takes place. Activity taking place on the grower's land is a service, while activity performed elsewhere is a wholesale transaction.

Purpose

Improves competitive position of Washington farmers that cube hay for export.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.467	$0.467	$0.467	$0.467
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.428	$0.467	$0.467
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Many variables affect the price of hay, and prices tend to fluctuate year to year therefore no overall growth.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1997
Primary Beneficiaries:	Persons who cube hay or alfalfa
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2015 and 2018

82.04.120(2)(a) - Seed conditioning

Description

"To manufacture" excludes seed conditioning for B&O tax purposes. To manufacture seeds means the seeds are used for planting. In addition, wholesale sales to farmers of seed conditioned for use in planting, or conditioning seed owned by others for their planting is exempt from the wholesale B&O tax (RCW 82.04.331).

Purpose

Encourages seed conditioning businesses to relocate to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.170	$1.230	$1.290	$1.360
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.130	$1.290	$1.360
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth of 5% based on historical seed conditioners' wholesale sales.
- Conditioned seeds account for one-third of Washington seed conditioner's gross wholesaling income.
- There is a separate B&O tax exemption for conditioned seeds sold wholesale in Washington. This estimate does not account for multiple activities tax credits.

Data Sources

- Department of Revenue, Excise tax data
- Washington State Crop Improvement, Washington conditioners
- U.S. Department of Agriculture, Census of Agriculture

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Manufacturers of conditioned seeds for planting
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.120(2)(b) - Seafood processing

Description

The cutting, grading or ice glazing of seafood cooked, frozen or canned outside of Washington is not a manufacturing activity. These activities are not subject to the 0.484% manufacturing B&O tax rate.

Purpose

To encourage these activities and to create and retain jobs within the seafood industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would increase revenues, however the impact is indeterminate.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impacts are indeterminate, because other statutes exempt some but not all activities from manufacturing B&O tax. Activities not exempt are not separately identifiable.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Seafood processors
Taxpayer Count:	65
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.120(2)(d) - Packing agricultural products

Description

Manufacturing B&O excludes the process of packing agricultural products. This includes sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in a controlled atmospheric storage.

Purpose

Clarifies that packing of agricultural products is not a manufacturing activity and is ineligible for manufacturing tax incentive programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impacts reported under the B&O tax deduction for processing horticultural products.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1975
Primary Beneficiaries:	Agricultural product packers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.120(2)(e,f) - Computer software and digital goods

Description

Manufacturing B&O tax applies to the production of prewritten computer software when the producer transfers the software by means of tangible storage media. Manufacturing B&O tax does not apply to the production of software transferred electronically, or to the production of digital goods.

Purpose

To reduce confusion and complications concerning the B&O tax liability incurred by the production and sale of prewritten computer software and digital goods.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. There are no taxpayer savings associated with this definitional clarification.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This definitional clarification results in no taxpayer savings.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	Software, 2003; Digital goods, 2009
Primary Beneficiaries:	Sellers of electronically delivered goods and software
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.240(2) - Semiconductor materials manufacturing after $1 billion investment

Description

Businesses manufacturing semiconductor materials are subject to the B&O tax at a rate of 0.275%, instead of the general manufacturing rate of 0.484%.

The lower tax rate is contingent upon the commencement of a commercial operation of a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion prior to January 1, 2024. If the contingency does not occur, the reduced rate expires January 1, 2024.

Purpose

To encourage retention of existing semiconductor businesses in Washington, while attracting similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax preferential rate would not increase revenues because no business is currently utilizing this incentive.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers are currently utilizing this preferential rate. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur, and the contingency will not be met before the expiration of this law.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses that manufacture semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016

82.04.2403 - Fish cleaning

Description

Cleaning fresh fish is exempt from B&O tax. Cleaning means removing the head, fins, or viscera from the fish without further processing, other than freezing.

Purpose

To support the fishing industry by reducing the cost of doing business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This calculation excludes cleaning saltwater fish which this report includes under the seafood products manufacturing B&O tax exemption.
- Actual taxpayer savings and potential revenue gains may be lower due to multiple activities tax credit and small business credit.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Fish and Wildlife, Commercial fish harvest data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Businesses harvesting and cleaning fresh fish
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.2404 - Semiconductor materials manufacturing

Description

Washington provides a preferential B&O tax rate of 0.275% on the manufacturing or processing for hire of semiconductor materials. This preferential rate expires December 1, 2028. Any person claiming the preferential rate must reimburse the department 50% of the amount of the preference if the number of persons employed by the person claiming the tax preference is less than 90% of the employment average for the previous three years.

Manufacturers with no tax preference pay tax at the rate of 0.484%.

Purpose

To retain existing semiconductor businesses and to attract similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This preferential tax rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that manufacture or process for hire semiconductor materials
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with an upcoming review in 2025

82.04.250(3) - Certified aircraft repair firms

Description

Qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR Part 145" repair facility receive a reduced B&O tax rate of 0.2904%. Without the preferential rate, these businesses would be subject to the 0.484% rate applicable to the retailing of interstate transportation equipment. The preferred B&O tax rate expires July 1, 2040.

Purpose

To encourage the airplane repair industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.580	$0.600	$0.600	$0.610
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.550	$0.600	$0.610
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the March 2023 S&P Global Market Intelligence forecast.

Data Sources

- Department of Revenue, Annual tax performance reports
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	FAR Part 145 repair stations
Taxpayer Count:	37
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review scheduled in 2024

82.04.255 - Shared real estate commissions

Description

Real estate brokerage offices pay tax only on their share of commissions when two or more brokerage offices participate in a transaction, even if one business is located out of state. Individual associate brokers and salespersons are exempt from B&O tax when the brokerage office pays tax on the gross commission.

Purpose

To eliminate pyramiding of B&O tax on shared commissions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.880	$2.186	$2.391	$2.653
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.004	$2.391	$2.653
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The real estate brokerage office passes 50% of the commission to the real estate agent.
- The average annual wage of real estate agents in Washington in 2022 was approximately $72,000.
- Approximately 90% of real estate agents qualify for the small business credit and would not owe B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Occupational employment and wage statistics, May 2022

82.04.255 - Shared real estate commissions

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Real estate brokers and agents
Taxpayer Count:	9,800
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with upcoming review in 2024

82.04.260(1)(a) - Flour and oil manufacturing

Description

Manufacturers of flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts, and sunflower oil receive a preferential B&O tax rate of 0.138%. The tax rate for general manufacturing is 0.484%.

Purpose

To provide tax relief to businesses because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This preferential B&O tax rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1949
Primary Beneficiaries:	Flour and oil manufacturers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2022

82.04.260(1)(b) - Seafood products manufacturing

Description

Beginning July 1, 2035, manufacturers of seafood products that remain in a raw, raw frozen, or salted state receive a preferential B&O tax rate of 0.138% for the following activities:

- The manufacturing of seafood products.
- The sale of manufactured seafood products to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing B&O tax rate is 0.484%; however, seafood product manufacturing described above is exempt from B&O tax until July 1, 2035.

Purpose

To provide tax relief to food processors and to create and retain jobs within the seafood industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues beginning July 1, 2035.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4269).

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2012
Primary Beneficiaries:	Seafood manufacturers
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014 and 2022

82.04.260(1)(c) - Dairy products manufacturing

Description

Beginning July 1, 2035, manufacturers of dairy products receive a preferential B&O tax rate of 0.138% on sales from the following activities:

- The manufacture of dairy products.
- The sale of manufactured dairy products to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing tax rate is 0.484% however, dairy product manufacturing described above is exempt from B&O tax until July 1, 2035.

Purpose

To provide tax relief to food processors and to create and retain jobs within the dairy industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues beginning July 1, 2035.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4268).

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Dairy products manufacturers
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014 and 2022

82.04.260(1)(d) - Fruit and vegetable manufacturing

Description

Beginning July 1, 2035, manufacturers of fruit or vegetable products by canning, preserving, freezing, processing, or dehydrating receive a preferential B&O tax rate of 0.138% for the following activities:

- The manufacture of fruit and vegetables.
- The sale of manufactured fruit and vegetables at wholesale to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing B&O tax rate is 0.484%, however, fruit and vegetable product manufacturing described above is exempt from B&O tax until July 1, 2035.

Purpose

To provide tax relief to food processors and to create and retain jobs within the fruit and vegetable industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues beginning July 1, 2035.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4266).

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2012
Primary Beneficiaries:	Processors of fruits and vegetables
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014, and 2022

82.04.260(1)(e) - Wood biomass fuel manufacturing

Description

The manufacturing of wood biomass fuel gets a reduced B&O tax rate of 0.138%. The general tax rate for manufacturing is 0.484%.

"Wood biomass fuel" means a liquid or gaseous fuel produced from lignocellulosic feedstocks, including wood, forest, or field residue, and dedicated energy crops. The term does not include wood treated with chemical preservations like creosote, pentachlorophenol, or copper-chrome-arsenic.

Purpose

Encourage the production of alternative fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this reduced B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This reduced B&O tax rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Wood biomass manufacturers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.04.260(2) - Dried pea processors

Description

Businesses that split or process dried peas receive a preferential B&O tax rate of 0.138%, rather than the general tax rate for manufacturing of 0.484%.

Purpose

To provide tax relief to businesses because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.138	$0.143	$0.149	$0.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preference would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.131	$0.149	$0.156
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Dried pea processors
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.260(3) - Nonprofit research and development

Description

Income from nonprofit corporations and associations performing research and development (R&D) services is subject to a B&O tax rate of 0.484%.

Purpose

To support the advancement of nonprofit R&D.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers are currently reporting this preferential tax rate. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Nonprofit corporations and associations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

82.04.260(4) - Meat processors

Description

Persons in the business of wholesaling, slaughtering, breaking, and/or processing perishable meat products receive a preferential B&O tax rate of 0.138%. The tax rate for general manufacturing is 0.484%.

Purpose

To provide tax relief to businesses because of a highly competitive market structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$29.430	$31.280	$33.250	$35.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$28.680	$33.250	$35.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6.3% based on slaughtering, breaking, and processing perishable meat historical taxable amounts.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1967
Primary Beneficiaries:	Meat processors
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2022

82.04.260(5) - Travel agents and tour operators

Description

Income from businesses providing travel agent or tour operator services is subject to the travel agents/tour operators B&O tax at the following rates:

- 0.275% if the prior year annual taxable amount from providing travel agent or tour operator services is $250,000 or less.
- 0.9% if the prior year annual taxable amount from providing travel agent or tour operator services is more than $250,000.

Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Provides a tax preference to travel agents or tour operator services tied to annual taxable amounts.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.390	$6.640	$6.940	$7.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.090	$6.940	$7.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.260(5) - Travel agents and tour operators

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Travel agents and tour operators
Taxpayer Count:	755
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2025

82.04.260(6) - International charter and freight brokers

Description

Income from performing the following international business activities is subject to the preferential B&O tax rate of 0.275%:
- Steamship agents.
- Customs house broker.
- Freight forwarders.
- Air cargo agents.
- Vessel or cargo charter brokers in foreign commerce.

Domestic charter and freight brokering business activities do not qualify for the preferential rate; instead, the income is subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$23.600	$24.510	$25.600	$26.820
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$22.460	$25.600	$26.820
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.260(6) - International charter and freight brokers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	International charter and freight brokers
Taxpayer Count:	176
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2019

82.04.260(7) - Stevedoring

Description

Income from businesses performing stevedoring and similar waterborne cargo handling activities receive a preferential B&O tax rate of 0.275% rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

To encourage international trade through Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.850	$21.660	$22.620	$23.690
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.850	$22.620	$23.690
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Stevedoring businesses
Taxpayer Count:	37
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2017

82.04.260(9) - Insurance producers, title insurance agents, and surplus line brokers

Description

Insurance producers, title insurance agents, and surplus line brokers receive a preferential B&O tax rate of 0.484% on income received, rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Reduces the impact of B&O surtaxes on insurance contractors because they were unable to raise commissions to cover tax increases in the short term.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$30.870	$37.830	$39.090	$40.370
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$34.680	$39.090	$40.370
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesale B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Insurance producers, title insurance agents, and surplus line brokers
Taxpayer Count:	3,900
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.260(11) - Commercial airplane manufacturing

Description

Beginning April 1, 2020, manufacturers of commercial airplanes or components of commercial airplanes, as well as tooling used in the production of commercial aircraft pay a general manufacturing B&O tax rate of 0.484% for manufacturing, wholesaling, and retailing activities.

After March 31, 2021, the tax rate must be reduced to 0.357% if the Department of Commerce verifies with the U.S. trade representative that the U.S. and the European Union have entered into a written agreement that resolves any world trade organization disputes involving large civil aircraft. This preferential rate expires July 1, 2040.

Purpose

Encourage the assembly of commercial airplanes in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax rate would not increase revenues unless the Department of Commerce verifies the resolution, and the preferential rate applies.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The Department of Commerce has not verified the resolution; therefore, the preferential rate does not apply. There will be no revenue impact during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Commercial airplane manufacturing companies
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with upcoming review in 2024

82.04.260(12) - Timber and wood products extracting or manufacturing

Description

Persons extracting or manufacturing timber and selling timber and wood products at wholesale receive a preferential B&O tax rate of 0.2904% (0.3424%, if including 0.052% surcharge). Previously, these activities were subject to a B&O tax rate of 0.484%.

This special rate also applies to the manufacturing of mass timber products.

Persons selling standing timber, if severed within 30 months of the sale agreement, receive a Real Estate Excise Tax (REET) exemption under this preference and pay B&O tax at 0.2904% (0.3424%, if including 0.052% surcharge). Without this preference, these activities would be subject to REET instead of B&O tax.

Both the preferential tax rate and surcharge expire July 1, 2045.

Purpose

To encourage businesses in the timber industry to continue operating in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.800	$21.700	$22.600	$23.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.900	$22.600	$23.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.260(12) - Timber and wood products extracting or manufacturing

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Timber industry
Taxpayer Count:	946
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2022

82.04.260(13) - Canned salmon services

Description	Businesses that inspect, test, label, or store canned salmon owned by another business receive a preferential B&O tax rate of 0.484%, rather than the service and other activities rate of 1.5% or 1.75%.
Purpose	To provide tax relief for businesses that provide certain services for salmon canners.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.277	$0.288	$0.300	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preference would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.264	$0.300	$0.315
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses providing services to salmon canners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.263 - Radioactive waste cleanup

Description

Businesses providing clean-up services of radioactive waste or other by-products of weapons production and nuclear research and development for the U.S. government or its instrumentalities receive a preferential B&O tax rate of 0.471%.

Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Encourages the clean-up of radioactive waste at the Hanford site, which is crucial to the environment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$42.280	$43.900	$45.860	$48.050
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$40.250	$45.860	$48.050
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Radioactive waste cleanup businesses
Taxpayer Count:	180
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.04.272 - Prescription drug resellers

Description

Income from licensed businesses warehousing and reselling prescription drugs for human use receive a preferential B&O tax rate of 0.138%, rather than the wholesaling tax rate of 0.484%.

Purpose

To encourage prescription drug warehousing and reselling business activity in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$33.090	$34.310	$35.460	$36.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$31.460	$35.460	$36.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesale B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Prescription drug resellers
Taxpayer Count:	49
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited completed in 2021

82.04.280 - Rental of real estate

Description

Income from the long-term rental of real estate is not subject to B&O tax. Long-term means a continuous period of one month or more.

In 1959, the legislature extended the B&O tax to income from the rental of real estate. The following year the State Supreme Court ruled the tax to be unconstitutional in Apartment Operators Association of Seattle v. Schumacher, 56 Wn. 2d 46 (1960). The Washington Supreme Court later questioned the validity of Schumacher, but never specifically overturned the holding. While Chapter 82 RCW does not explicitly provide an exclusion for the rental of real estate it also does not include the activity in the list of those subject to tax.

Purpose

The Supreme Court held that a B&O tax on rental income constitutes a tax on property. The State Constitution requires that property taxes be levied uniformly and B&O tax, in addition to property taxes, would result in non-uniform taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$76.759	$79.373	$82.815	$89.255
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Taxing real estate rental income would directly challenge Washington Supreme Court precedent (Shumacher) and likely lead to another court challenge. Based on subsequent decisions by the court, the court may overturn Schumacher leading to an increase in revenue, but it is just as likely for the court to uphold Schumacher leading to no increase in revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.500	$21.500	$34.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.280 - Rental of real estate

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the annual growth for the housing market indicator rate reflected in the March 2023 S&P Global Market Intelligence forecast.
- This estimate uses an effective service and other activities B&O tax rate of 1.6975% to estimate revenues.
- Only 25% of the income from lessors of residential real estate would be subject to this tax, as most would be excluded due to the small amount of revenue received or because the rentals were short-term and already subject to the tax.
- There is significant litigation risk associated with this proposal. This estimate uses the following compliance factors to estimate collections:
    - 13% revenue collections in fiscal year 2025.
    - 26% revenue collections in fiscal year 2026.
    - 39% revenue collections in fiscal year 2027.
    - 52% revenue collections in fiscal year 2028 and thereafter.

Data Sources

- U.S. Census Bureau, 2017 Economic Census, Real Estate and Rental and Leasing: Summary Statistics for the U.S., States, and Selected Geographies
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	By statute in 1935, by court decision in 1960
Primary Beneficiaries:	Rental property owners
Taxpayer Count:	15,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.280(1)(f) - Radio and TV broadcasting

Description

Radio and television broadcasters may deduct gross receipts from national, network, and regional advertising from the measure of B&O tax. Broadcasters calculate the national, network, and regional advertising deduction using either:

- A standard deduction rate published by the department.
- By itemization using actual receipts.

Radio and television broadcasters receive a preferential B&O tax rate of 0.484% on the gross receipts from advertising rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Broadcasts which cross the state's boundaries and advertising income derived from outside the state may constitute interstate commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.380	$1.480	$1.570	$1.680
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenue unless the tax interferes with interstate commerce.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.360	$1.570	$1.680
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers located in Washington that do not report deduction detail on their excise tax return net the deduction for national, network, and regional advertising from the gross amounts reported. This estimate uses the standard deduction rate of 62% for these taxpayers.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1967
Primary Beneficiaries:	Broadcasters and cable and satellite television providers with advertising income
Taxpayer Count:	139
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2022

82.04.287 - Alternative jet fuel

Description

Persons who manufacture, wholesale, and retail alternative jet fuel pay a preferential B&O tax rate of 0.275% rather than the manufacturer and wholesale B&O tax rate of 0.484% and the retailing B&O rate of 0.471%.

Alternative jet fuel means fuel blended and used with conventional petroleum jet fuels without the need to modify aircraft engines. It also has a lower carbon intensity than the annual carbon intensity standard, and it does not include conventional jet fuel.

The preferential rates become effective the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year.

A person taking the preferential rates must file an annual tax performance report with the department.

The preferential rates expire nine calendar years after the close of the calendar year in which the tax rates take effect.

Purpose

To encourage the production of alternative jet fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would not increase revenues due to the preferential rate not becoming effective until the third quarter of 2026.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the preferential rates become effective, therefore is no revenue impact.

Data Sources

- Washington State University Office of National Partnerships, Sustainable Aviation Biofuels Work Group, December 2022 final report
- U.S. Energy Information Administration, Prices, Sales Volume and Stocks by State
- U.S. Energy Information Administration, PADD 5 Refinery and Blender Net Production
- California Air Resources Board, LCFS Pathway Certified Carbon Intensities
- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Manufacturers of alternative jet fuels
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.290(1) - International investment management services

Description

Businesses providing qualifying international investment management services (IIMS) receive a preferential B&O tax rate of 0.275% rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

A business is engaged in qualifying IIMS if it meets all the following qualifications:

- Primary business activity is providing investment management services.
- At least 10% of its gross income is from providing IIMS to a qualifying collective investment fund.
- More than 25% of the business's employees are located in Washington.
- The business is a member of an affiliated group with all the following:
  - 10 or more offices located in at least eight foreign countries.
  - At least 500 full-time employees worldwide.
  - Worldwide gross revenue of more than $400 million during the current or preceding calendar year.
  - Average assets under management of more than $200 billion during the current or preceding calendar year.

Purpose

To reduce a perceived competitive disadvantage for IIMS businesses and to attract new international trade and finance business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.160	$1.210	$1.260	$1.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues. However, businesses could move this activity out of the state.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.110	$1.260	$1.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Service and other activities B&O tax estimates use the tax rate of 1.75%. Of those tax impacts, 14.3% are deposited into the Workforce Education Investment Account.

82.04.290(1) - International investment management services

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Qualifying IIMS businesses
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and expedited review completed in 2017

82.04.290(3) - Aerospace product development

Description

Persons who perform aerospace product development for others receive a preferential B&O tax rate of 0.9%, as compared to the service and other activities B&O tax rate of 1.5% or 1.75%. The preferential tax rate expires July 1, 2040.

Purpose

To provide an incentive for persons to engage in aerospace product development, such as research, engineering, and design activities performed in developing an aerospace product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.700	$1.820	$1.870	$1.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential B&O tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.660	$1.870	$1.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected S&P Global Market Intelligence's March 2023 forecast.

Data Sources

- Department of Revenue, Annual tax performance report data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Businesses engaged in aerospace product development
Taxpayer Count:	115
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.04.2905 - Childcare

Description

Income from businesses providing childcare services for periods less than 24 hours receive the preferential B&O tax rate of 0.484%, rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Notes:
- Churches that provide childcare services for periods less than 24 hours and exempt from property tax are exempt from B&O tax.
- Care services of children under eight years old and who are not enrolled in first grade or above are exempt from B&O tax.
- The impacts from these exemptions are in separate estimates.

Purpose

Reduces the cost of childcare and reduces the tax burden for an industry with low profit margins.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.790	$1.850	$1.940	$2.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.700	$1.940	$2.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses providing childcare
Taxpayer Count:	1,100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.04.2906 - Chemical dependency treatment

Description

Income from Department of Social and Health Services (DSHS) certified businesses providing intensive inpatient or recovery house residential recovery treatment services for chemical dependency and receiving payment from government sources is subject to the preferential B&O tax rate of 0.484%.

Income from payment by non-government sources is subject to the service and other activities B&O tax rate of 1.5% or 1.75% if taxable income was $1 million or more in the prior calendar year.

Purpose

To support chemical dependency center businesses providing social and health services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.860	$0.920	$0.970	$1.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.840	$0.970	$1.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the hospital B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses providing treatment for chemical dependency
Taxpayer Count:	17
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.04.2908 - Assisted living facilities

Description

Income from businesses operating licensed assisted living facilities providing room and daily living or health support, or occasional nursing services receive a preferential B&O tax rate of 0.275%. Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

Purpose

Makes the taxation of assisted living facilities similar to the treatment of nursing homes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$16.020	$16.640	$17.380	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$15.250	$17.380	$18.210
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the hospital B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities
Taxpayer Count:	344
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming full review scheduled in 2026

82.04.2909 - Aluminum manufacturing and wholesaling

Description

Income from businesses using an aluminum smelter to manufacture and wholesale aluminum receive a preferential B&O tax rate of 0.2904%. Income from manufacturing and wholesaling non-aluminum products is subject to the manufacturing and wholesaling B&O tax rate of 0.484%.

Purpose

Provides tax relief to the aluminum industry by providing a reduced B&O rate to manufacturers, processors for hire, and wholesalers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential rate would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this preferential rate. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.04.294 - Solar energy and silicon product manufacturers

Description

Businesses manufacturing or wholesaling solar energy systems or producing silicon components for these systems receive a preferential B&O tax rate of 0.275% until June 30, 2032. If no preferential rate existed, the rate would be 0.484%.

A person who utilizes this preferential tax rate must file annual reports with the department detailing employment, wages paid, and employee benefits.

Purpose

To support the solar electric industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.456	$0.463	$0.470	$0.477
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this B&O tax preferential rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.424	$0.470	$0.477
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for solar energy and silicon product manufacturing activities mirrors the U.S. electric renewable energy generation outlook reflected in Statista forecast.

Data Sources

- Department of Revenue, Excise tax data
- Statista, U.S. electric power renewable energy generation outlook by technology 2013-2040

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Businesses manufacturing certain solar energy systems and their components
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with an upcoming expedited review in 2025

82.04.298(2) - Grocery distribution co-ops

Description

Qualified grocery cooperatives can take a deduction from the gross proceeds of sales of groceries for resale to their members that is equal to the portion of the gross proceeds of sales for resale that represents the actual cost of the merchandise sold to members. However, commission income is subject to tax under the service classification.

Purpose

To provide a deduction for qualified grocery cooperatives on goods distributed to their members when the cooperative retains the title to the goods.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Grocery distribution cooperatives
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2022

82.04.299(2)(a)(i) - Hospitals exempt from workforce education surcharges

Description

Select advanced computing businesses pay the workforce education investment surcharge of 1.22% on service and other activities B&O income. Hospitals (as defined in RCW 70.41.020) are exempt from the surcharge.

Purpose

To lower costs for hospitals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.300	$9.300	$9.300	$9.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$14.025	$9.300	$9.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and in fiscal year 2025 impacts three quarters of workforce education investment advanced computing surcharge (ACS) tax collections.
- Growth rate mirrors the service B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A hospital whose affiliated group has over $25 billion in revenues will have at least one affiliate engaging in advanced computing services.
- The ACS is filed quarterly on one return on behalf of all entities in an affiliated group.
- The ACS tax paid is capped at $9 million per calendar year for an affiliated group. Because this repeal is effective on July 1, 2024, taxpayers who normally meet the cap by the third or fourth quarter of a calendar year will owe tax for those quarters in the first impacted year. Therefore, tax collections in the first impacted year are higher than the subsequent years.
- This estimate does not identify or consider affiliates of the taxpayers affected by this repeal when determining whether an affiliated group engaged in advanced computing has met the $9 million cap. If a taxpayer has affiliated businesses in their advanced computing group that are not hospitals, this may affect the revenue gain from this repeal.

82.04.299(2)(a)(i) - Hospitals exempt from workforce education surcharges

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Health, Hospital year end reports.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Hospitals
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.299(2)(a)(ii) - Provider clinics exempt from workforce education surcharges

Description

Select advanced computing businesses pay the workforce education investment surcharge of 1.22% on service and other activities B&O income. Provider clinics offering primary care, multispecialty, surgical, or behavioral health services are exempt from the surcharge. Affiliates of the provider clinic are also exempt from the surcharge if the affiliate meets one of the following:

- Offers health care services or provides administrative support for the provider clinic.
- Is an independent practice association.
- Is an accountable care organization.

Purpose

To lower costs for provider clinics.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.500	$5.300	$5.200	$5.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.800	$5.200	$5.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and in fiscal year 2025 impacts three quarters of workforce education investment advanced computing surcharge (ACS) tax collections and nine months of service and other activities B&O tax collections.
- Growth rate mirrors the service B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The ACS is filed quarterly on one return on behalf of all entities in an affiliated group.
- The ACS tax paid is capped at $9 million per calendar year for an affiliated group. Because this repeal is effective on July 1, 2024, taxpayers who normally meet the cap by the third or fourth quarter of a calendar year will owe tax for those quarters in the first impacted year. Therefore, tax collections in the first impacted year are higher than the subsequent years.
- Taxpayers who are subject to the ACS pay the service and other activities B&O tax at the 1.5% rate.

- Taxpayers who do not pay the ACS pay the service and other activities B&O tax at the 1.75% rate. Receipts from the additional 0.25% are deposited into the Workforce Education Investment Account.
- This estimate does not identify or consider affiliates of the taxpayers affected by this repeal when determining whether an affiliated group engaged in advanced computing has met the $9M cap. If a taxpayer has affiliated businesses in their advanced computing group that are not hospitals, this may affect the revenue gain from this repeal.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Health, Hospital year-end reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Health care provider clinics
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.301 - University-managed hospital in King County

Description

Certain hospitals are exempt from B&O tax. To qualify for the exemption, each hospital must be owned by a county with a population greater than two million and managed by a state university.

The exemption expires January 1, 2030.

Purpose

To lower taxes on hospitals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Qualifying hospital managed by state university
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.310(2) - Electricity sales for resale

Description

Wholesale sales of electrical energy are exempt from B&O tax.

Purpose

To provide the same B&O tax treatment as the PU tax. The sale of electricity to the consumer is the taxable transaction.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.160	$1.180	$1.200	$1.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.080	$1.200	$1.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the electric power public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2000
Primary Beneficiaries:	Power marketers selling electricity under contract to other entities
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and expedited review completed in 2017

82.04.310(3) - Natural gas surplus sales

Description

Sales of natural or manufactured gas are exempt from B&O tax if the person sells within the U.S. a total amount of natural or manufactured gas that is no more than 20% of the amount of natural or manufactured gas, they consumed within the U.S. within the same calendar year.

Purpose

Allows large industrial users who are not in the business of selling natural gas to sell back unused gas without incurring B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is considered to be minimal.

Data Sources

U.S. Energy Information Administration, Natural gas consumption by end use

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2007
Primary Beneficiaries:	Businesses using natural gas in industrial processes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.310(4) - Bonneville Power Administration funding

Description

Credits or funds provided by the Bonneville Power Administration for the purposes of implementing energy conservation or demand-side management programs are exempt from B&O tax if the tax savings received are used for the purpose of low-income ratepayer assistance or weatherization. The exemption expires January 1, 2031.

Purpose

Supports energy conservation programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.945	$0.945	$0.945	$0.945
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.866	$0.945	$0.945
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Bonneville Power Administration energy conservation program bill savings for ratepayers averages $63 million per year. Growth is minimal; therefore, amount remains the same for future periods.

Data Sources

- Bonneville Power Administration, Annual Report 2021

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2021
Primary Beneficiaries:	Washington electric utility companies
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.311 - Tobacco Settlement Authority

Description

Income received by the Tobacco Settlement Authority (authority) is exempt from B&O tax. The authority has certain financing powers under the law, including the issuance of bonds to pay for purchasing a portion of the amounts due to the state under the Master Settlement Agreement. The interest and gain on those bonds would otherwise be subject to B&O tax but for this exemption.

Purpose

Recognizing that the authority is a public instrumentality of the state and is not engaged in conducting an enterprise activity.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenue, but the state would be taxing a public instrumentality.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Tobacco Settlement Authority

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2002
Primary Beneficiaries:	The authority and indirectly, citizens of the state
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.04.315 - International banking facilities

Description

International banking facilities are exempt from B&O tax. An international banking facility is:

- A branch of a foreign bank.
- A set of accounts segregated by a commercial bank for international banking.
- An Edge Act corporation under the Federal Reserve Act.
- Certain Agreement corporations under the Federal Reserve Act.

Purpose

To encourage international trade through banks in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

- Federal Reserve Board, Structure Data for U.S. Banking Offices of Foreign Entities
- Federal Reserve Board, Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	International banking facilities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and full review completed in 2017

82.04.317; 82.04.422(1) - Wholesale auto auctions

Description

Motor vehicle manufacturers, their financing subsidiaries (that must be at least 50% owned by the manufacturer), and licensed vehicle dealers are exempt from wholesaling B&O tax on their wholesale sales of motor vehicles if the sales take place at a wholesale auto auction and the purchaser is licensed vehicle dealer.

Purpose

To encourage out-of-state auto manufacturers to sell their rental and lease return vehicles and other surplus vehicles at wholesale auctions conducted in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.245	$4.385	$4.464	$4.432
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.019	$4.464	$4.432
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the auto sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Auto dealers and auctioneers
Taxpayer Count:	291
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.04.320 - Insurance premiums

Description

Income subject to the state insurance premiums tax is exempt from B&O tax.

Purpose

To avoid subjecting insurance premiums to more than one state business tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$983.700	$1,003.900	$1,023.400	$1,043.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues if RCW 48.14.080 is also amended to allow B&O taxation of premium income.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$920.300	$1,023.400	$1,043.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the insurance premiums growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Premiums can be subject to both insurance and B&O taxes.
- This activity is taxed at the 1.75% service and other activities B&O tax rate.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Insurance companies and policyholders
Taxpayer Count:	1,960
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.321 - Health care provider qualified health plan amounts

Description

Amounts received by a health care provider for services performed on patients covered by a qualified health plan are exempt from B&O tax. This includes reimbursement from the qualified health plan and any amounts collected from the patient as part of their cost-sharing obligation.

Purpose

To lower tax for businesses receiving income under the qualified health plan program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.650	$8.650	$8.650	$8.650
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.270	$8.650	$8.650
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal; therefore, amount remains the same for future periods.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Healthcare providers
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.322 - Health maintenance organizations

Description

Health maintenance organizations, health care service contractors, and certified health plans are exempt from B&O tax on income subject to the state insurance premiums tax.

Purpose

To avoid subjecting insurance premiums to more than one state business tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$420.140	$442.180	$465.360	$489.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues if RCW 48.14.080 were also amended to allow B&O taxation of premium income.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$405.330	$465.360	$489.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 5.2% based on historical insurance premiums data.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1993
Primary Beneficiaries:	Health maintenance organizations, health care service contractors, and certified health plans and their members
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.323 - Health Benefit Exchange

Description

Amounts received by the Washington Health Benefit Exchange (WHBE) are not subject to B&O taxes. Established as a private-public partnership under RCW 43.71, the WHBE operates the online marketplace that provides access to qualified health insurance plans. Amounts received by the WHBE include federal grants, federal premium tax subsidies, and credits, charges to health carriers, and enrollee-paid premiums.

Purpose

To reduce the WHBE's operating costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Health Benefit Exchange, Revenue data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Washington Health Benefit Exchange
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.04.324 - Nonprofit blood, bone and tissue banks

Description

Qualifying nonprofit blood or tissue banks or qualifying blood and tissue banks receive a B&O tax exemption from income exempt from federal income tax.

Purpose

To support the activities of these entities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.120	$10.500	$10.970	$11.490
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.630	$10.970	$11.490
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The portion of income exempt from federal income tax equates to 80% of total income and would be subject to service B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Projects.Propublica.org, Nonprofit explorer, 990 IRS forms

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit blood, bone, or tissue banks
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.326 - Organ procurement

Description

Qualified nonprofit organ procurement organizations receive a B&O tax exemption on income that is exempt from federal income tax.

Purpose

To extend the same tax treatment available to blood, bone, and tissue banks.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit organizations that locate and obtain human organs for transplant operations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.04.327 - Adult family homes

Description

Adult family homes that provide for the health, welfare, and safety of residents including elderly persons, adults with developmental or other disabilities, are exempt from B&O tax. To qualify the home must be:

- Licensed as an adult family home.
- Exempt from licensing under rules of the Department of Social and Health Services.

Purpose

Reduces the cost of operating adult family homes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.860	$10.230	$10.680	$11.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.380	$10.680	$11.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Social and Health Services, Client participation data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Adult family homes
Taxpayer Count:	4,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming full review in 2026

82.04.330 - Agricultural producers

Description

Farmers who make wholesale sales of agricultural products; or grow, raise, or produce agricultural products owned by others are exempt from B&O tax. "Farmer" means any person engaged in the business of growing, raising, or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product to be sold, and the growing, raising, or producing honeybee products for sale, or providing bee pollination services, by an eligible apiarist. "Farmer" does not include a person growing, raising, or producing such products for the person's own consumption; a person selling any animal or substance obtained therefrom in connection with the person's business of operating a stockyard or a slaughter or packing house; or a person in respect to the business of taking, cultivating, or raising timber.

Eligible apiarists are also exempt from B&O tax on sales of bee pollination services to a farmer. "Eligible apiarist" means a person who owns or keeps one or more bee colonies and who grows, raises, or produces honeybee products for sale at wholesale and is registered with Washington Department of Agriculture.

This B&O tax exemption does not apply to retailers of agricultural products at retail or manufacturers of articles or substances.

Purpose

To aid an industry that was severely depressed in 1935 when the exemption was enacted. The exemption recognizes the low profit margins and high transportation costs faced by most farmers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$45.920	$46.380	$46.850	$47.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$42.520	$46.850	$47.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the average historical growth rate of the value of agricultural products.
- The majority of value of agriculture production would be taxable without the exemption. This estimate assumes 90%.

Data Sources

- U.S. Department of Agriculture, Census of Agriculture
- National Agricultural Statistics Service, Agriculture overviews and bulletins

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers making wholesale sales of agricultural products
Taxpayer Count:	35,200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.04.330; 82.04.100 - Christmas tree producers

Description

Farmers growing Christmas trees on a plantation using agricultural production methods are exempt from the extracting and wholesaling B&O tax. Retail sales of plantation Christmas trees by farmers are subject to retailing B&O and sales and use taxes.

Purpose

Recognizes production of Christmas trees is similar to other agricultural production.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.078	$0.079	$0.081	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.072	$0.081	$0.083
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The compound annual growth rate for Christmas tree cultivation sales is 2.3%.

Data Sources

- Pacific Northwest Christmas Tree Association, 2017 Tree harvest data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Christmas tree growers
Taxpayer Count:	440
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2015 and 2018

82.04.330(1) - Bee pollination services by apiarists

Description

Eligible apiarists are exempt from the B&O tax on income received for providing bee pollination services to farmers. The apiarists must provide the pollination services using bee colonies the apiarists own or keep.

Purpose

To provide B&O tax relief for Washington's apiarists to counter the negative economic impact on the state's agricultural sector caused by colony collapse disorder.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.220	$0.221	$0.223	$0.225
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.203	$0.223	$0.225
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 0.85% based on total valuation of pollination reflected in Department of Agriculture publication.

Data Sources

- U.S. Department of Agriculture, Cost of pollination publication

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2015
Primary Beneficiaries:	Apiarists providing pollination services
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.331 - Conditioned seed wholesaling

Description

Wholesale sales to farmers of conditioned seeds used for planting are exempt from B&O tax. The exemption also applies to conditioning seed owned by other persons.

The exemption excludes seeds packaged for retail sale, flower seeds, vegetable seeds, seeds or portions of plants used to grow cannabis, ornamental flowers, shrubs, trees, ferns, or mosses.

Purpose

Assist businesses providing seed used in commercial agriculture.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The compound annual growth rate for seed conditioners' wholesale sales related to farm production expenses is 3.4%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Wholesalers of conditioned seeds used for planting crops
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.332 - Grain and unprocessed milk wholesaling

Description

Wholesale sales of unprocessed milk and various types of grain and other agricultural products, including wheat, oats, barley, dry peas, dry beans, lentils, and triticale, are exempt from B&O tax. The exemption does not extend to wholesale sales of products manufactured from these products. Farmers who produce and sell such items at wholesale are already exempt.

Purpose

To assist agriculture.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.360	$6.180	$6.010	$5.890
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.670	$6.010	$5.890
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the gross value-added farm growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Agriculture, Census of agriculture
- Joint Legislative Audit and Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Agricultural businesses
Taxpayer Count:	80
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.04.333 - Small timber harvesters

Description

Small timber harvesters (generally those harvest less than two million board feet in a calendar year) can exclude up to $100,000 per tax year from their gross receipts or value of products proceeding or accruing from timber harvested.

Purpose

To support small harvesters.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.024	$0.023	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.021	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the timber excise tax growth rate reflected in the Economic and Revenue Council's March 2023 forecast.
- Tax savings calculated based on the preferential B&O tax rate of 0.3424%. This rate includes the 0.052% surcharge.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Small timber harvesters
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2023

82.04.334 - Standing timber exclusion

Description

Sales of standing timber excluded from the definition of "sale" for purposes of real estate excise tax are exempt from B&O tax.

Purpose

To support Washington's timber industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempt amounts are non-monetary transactions. No data exists for the value of the exempted timber; the impact of this tax preference is indeterminate.

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Integrated wood products companies and real estate investment trusts
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.335 - Agricultural fairs

Description	Bona fide agricultural fairs are exempt from B&O tax if no part of the net earnings benefit any stockholder or member of the association conducting the fair. Income from admissions to specific exhibits, entertainment or other business activities conducted within the fairgrounds by third parties is taxable.
Purpose	Supports agricultural fairs by reducing the costs to run the fairs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.444	$0.448	$0.452	$0.457
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.411	$0.452	$0.457
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management's April 2022 population forecast.
- Fair admissions will return to near pre-pandemic levels.

Data Sources

- Office of Financial Management, April 2022 population forecast
- Washington Fairs Association, List of fairs
- Washington Department of Agriculture, Fair funding applications
- County fair websites, Admissions and parking costs

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1965
Primary Beneficiaries:	County, community fairs, and youth livestock shows
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2010 and 2018

82.04.337 - Hops processed and exported

Description

Sales of hops processed into extract, pellets, or powder in Washington and then shipped outside the state for first use are exempt from B&O tax. Income received for processing or warehousing hops is not exempt from the tax.

Purpose

Recognizes processing of hops into extract, pellets or powder is merely to facilitate shipment of the product and eliminates it from manufacturing B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.190	$2.190	$2.190	$2.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.010	$2.190	$2.190
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The three-year average for hops produced in Washington is 76.86 million pounds. Hop production is fairly constant per year, there is no annual growth.
- The three-year average farm-gate value of Washington hops is $5.92 per pound.
- The processed value of exported hops is about 455 million per year.

Data Sources

- Washington Hop Commission
- U.S. Department of Agriculture, National Hop Report released December 2022
- Liquor and Cannabis Board, 2022 Washington beer production
- Brewers Association

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Hop producers and merchants
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2015 and 2018

82.04.338 - Hop Commission services

Description

Nonprofit organizations are exempt from B&O tax on income earned from business activities performed for a Hop Commodity Commission or Hop Commodity Board.

Purpose

Supports the hop industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Hop Commission

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1998
Primary Beneficiaries:	Nonprofits providing services to the Hop Commission
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.339 - Church childcare

Description

Churches providing childcare for periods of less than 24 hours are exempt from B&O tax. The church must be exempt from property tax to qualify.

Purpose

Reduces the cost of operating such facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.300	$0.320	$0.340	$0.370
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.040	$0.090	$0.140
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This group of taxpayers are not registered; reporting compliance is expected to be:
  - 13% revenue collections in fiscal year 2025.
  - 26% revenue collections in fiscal year 2026.
  - 39% revenue collections in fiscal year 2027.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Early Learning 2021 Childcare market rate survey final report
- Washington Department of Early Learning 2014 Childcare survey

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Childcare centers operated in churches
Taxpayer Count:	240
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.04.3395 - Childcare resources and referral

Description

Nonprofit childcare resource and referral services are exempt from B&O tax on income received for services which link families with licensed childcare providers.

Purpose

Reduces the cost of providing these services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Childcare resource and referral offices
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2019

82.04.340 - Boxing and wrestling matches

Description

Income from businesses conducting boxing, sparring, or wrestling matches that require to be licensed through the Department of Licensing are exempt from B&O tax.

Purpose

The purpose of the exemption was to avoid double taxation, as these businesses were subject to a gross receipts tax on ticket sales. In 2009, this tax was changed to a fee. The fee is 6% of gross admissions receipts and $1 per ticket sold. These funds are deposited into the business and professions account to cover the costs of licensing and regulating these professions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington personal income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Washington Department of Licensing, Boxing and wrestling data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Businesses conducting boxing or wrestling matches
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 and 2022

82.04.350 - Horse racing

Description

Persons who conduct horse racing events and licensed by the Washington Horse Racing Commission are exempt from the service and other B&O tax but are subject to the pari-mutuel tax. Enacted in 2005, this tax applies a rate of 0.2% through June 30, 2024, and 0.26% thereafter to the income derived from pari-mutuel wagering.

Purpose

To exempt gross income from B&O tax that is already taxable under the pari-mutuel tax

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Horse Racing Commission, Annual reports

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1992
Primary Beneficiaries:	Persons who conduct horse racing events
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2007 and 2022

82.04.355 - Ride sharing and special needs transportation

Description	Public social service agencies, private nonprofit transportation providers, van pools and carpools that provide ride sharing or ride sharing for persons with special transportation needs are exempt from B&O tax on income received.
Purpose	Reduces motor vehicle fuel consumption and traffic congestion by promoting ride sharing and supports certain organizations that provide group transportation services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Income received during ride sharing or ride sharing for persons with special transportation needs would be subject to PU tax under the motor or urban transportation classification absent the PU tax exemption.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit social service organizations, van pools and carpools that provide ride sharing or ride sharing for persons with special transportation needs
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.360 - Income of employees

Description

Employees and servants are exempt from the B&O tax for their income.

The exemption does not extend to corporate board directors, or to licensed cosmetologists, barbers, estheticians, and manicurists who pay a fee to use part of a salon, but do not receive compensation from the owner. They must pay B&O tax.

Purpose

Provides a B&O tax exemption for those not engaged in business as independent contractors. Washington's Constitution does not allow a personal income tax. B&O tax applied to employee income may be considered a personal income tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1,093.000	$1,175.000	$1,270.000	$1,374.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may increase revenues; however, a repeal would likely result in litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$545.000	$1,174.000	$1,305.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Annual growth mirrors the Economic and Revenue Forecast Council forecast for wages.
- Employers must withhold wages and remit the tax to the department; the department receives quarterly payments, first due in October 2024.
- The B&O tax rate for service and other activities is:
    - 1.5% for taxpayers with less than $1 million in service/other taxable during the prior year, and
    - 1.75% for taxpayers a greater amount of service/other taxable during the prior year.
- The small business tax credit applies, using the Service and Other Activities classifications.
- Compliance:
    - 90% revenue collections in Fiscal Year 2025, and
    - 95% revenue collections in Fiscal Year 2026 and thereafter.

82.04.360 - Income of employees

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Unemployment insurance data
- Internal Revenue Service (2021), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service, W-2 data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Individuals receiving wages and salaries
Taxpayer Count:	566,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2020

82.04.360(1) - Life insurance sales employees

Description

Full-time life insurance sales agents are exempt from B&O tax on their income.

Purpose

The federal government treats life insurance sales agents as independent contractors. Washington treats them as employees. Other employees are exempt from B&O tax, so this exemption treats life insurance agents the same as other employees.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.982	$1.018	$1.052	$1.086
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.840	$0.999	$1.032
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Compliance will be as follows:
    - 90% compliance for fiscal year 2025.
    - 95% compliance for all fiscal years thereafter.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Employment and wages data
- Office of the Insurance Commissioner, Insurance premiums data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Life insurance sales agents
Taxpayer Count:	10,800
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.04.363 - Nonprofit camps and conference centers

Description

Nonprofit organizations are exempt from B&O tax on amounts received for providing certain items at a camp or conference center conducted on property exempt from property tax. This includes charges for:

- Camping and lodging facilities, the use of meeting rooms, parking.
- Furnishing food and meals.
- Books, tapes, and other products available to participants of the camp or conference but not to the general public.

Purpose

To reduce the cost of operating camps and conference centers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.970	$3.210	$3.470	$3.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.940	$3.470	$3.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Camp revenues grow 8% annually and store sales represent 1% of the revenue.
- Camps generated $26 billion in revenue nationally in 2021.
- Nonprofit organizations receiving a property tax exemption in Washington own and operate 2% of nationwide camps.

Data Sources

- Department of Revenue, Property tax data
- American Camp Association, Nationwide camp statistics
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

82.04.363 - Nonprofit camps and conference centers

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	Participants at nonprofit camps and conferences
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Expedited report completed in 2014

82.04.3651 - Nonprofit organization fundraising

Description

Amounts received by nonprofit organizations and libraries through fundraising activities for the purpose of furthering the goals of the organization are exempt from B&O tax. Fundraising activities include:

- Soliciting or accepting contributions.
- Selling goods and services.

Fundraising activities does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

Purpose

To support fundraising activities by nonprofit organizations and libraries.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$212.100	$222.600	$234.700	$247.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$204.100	$234.700	$247.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates mirror the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Fundraising accounts for 12.5% of the total revenue generated.

Data Sources

- Economic and Revenue Forecast Council, March 2023
- National Council of Nonprofits, Nonprofit revenue data
- Cause IQ, Washington nonprofit data

82.04.3651 - Nonprofit organization fundraising

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations fundraising to support their activities.
Taxpayer Count:	41,000
Program Inconsistency:	None evident
JLARC Review:	Expedited report in 2014 with an upcoming review in 2024.

82.04.367 - Nonprofit student loan organizations

Description

Nonprofit organizations exempt from federal income tax may exempt income subject to B&O tax if they:

- Are guarantee agencies under the federal guaranteed student loan program.
- Issue debt for student loans.
- Provide guarantees for student loans.

Purpose

Promotes the availability of student loans.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Due to the discontinuation of the Federal Family Education Loan (FFEL) Program, the federal government now directly distributes financial aid for education rather than through a nonprofit organization.

Data Sources

- Lender Disclosure Statement for Northwest Education Loan Association
- FFEL Program and Direct Loan Players, July 22, 2014.

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	Nonprofit student loan organizations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.04.368 - Nonprofit credit and debt counseling

Description

Nonprofit organizations are exempt from the B&O tax for income received for providing credit and debt counseling services.

Purpose

To reduce the cost of credit and debt counseling services provided by eligible nonprofit entities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Nonprofits do not generally charge clients for credit and debt counseling services.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Nonprofit credit and debt counseling
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2024

82.04.370 - Fraternal insurance

Description

Insurance premium income received by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disabilities benefits and insure property for their members. These premiums are also exempt from insurance premiums tax.

Purpose

To support the programs and activities of these organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.560	$3.630	$3.690	$3.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.850	$3.690	$3.770
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 1.9% based on historical insurance premiums data.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2021

82.04.380 - Federal instrumentalities furnishing aid and relief

Description

A B&O tax exemption exists for corporations created by Congress that provide both:
- Volunteer aid to the armed forces.
- A system of national and international disaster relief.

Purpose

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.385 - Nonprofit sheltered workshops

Description

Nonprofit organizations operating sheltered workshops and group training homes for persons with developmental disabilities are exempt from the B&O tax on income received from the state and from business activities from the operation of sheltered workshops.

Purpose

Reduces the cost of providing services to persons with developmental disabilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.180	$1.220	$1.270	$1.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.120	$1.270	$1.330
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	Workshops and training homes throughout the state
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2026

82.04.390 - Real estate sales

Description

Proceeds from selling real estate are exempt from B&O tax. However, commissions, fees, interest, and similar financial charges from selling real estate are subject to B&O taxes.

Purpose

Since the inception of B&O tax, sales of real estate have been exempt. Although the purpose is unclear, it could be because either:

- The B&O tax was intended to tax only sales of tangible personal property and certain services.
- Exempting such sales would benefit the real estate industry, as such sales would be subject to real estate excise tax but not B&O tax (note that sales of tangible personal property are subject to both sales tax and retailing B&O tax).

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4,548.800	$5,290.700	$5,787.500	$6,421.500
Local Taxes	$1,907.400	$2,218.500	$2,426.800	$2,692.600

Repeal of exemption

Taxing real estate sales would directly challenge Washington Supreme Court precedent (Schumacher) and likely lead to another court challenge. Based on subsequent decisions by the court, the court may overturn Schumacher, leading to an increase in revenue, but it is just as likely for the court to uphold Schumacher, leading to no increase in revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4,849.800	$5,787.500	$6,421.500
Local Taxes	$0.000	$2,033.600	$2,426.800	$2,692.600

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth of real estate excise tax (REET) has reflected in the March 2023 Economic and Revenue Forecast Council forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The department receives REET data electronically from 36 counties. For the three counties without electronic reporting, this estimate assumes sales similar to the urban or rural counties.
- Real estate sales can be subject to B&O tax , state and local sales taxes, and REET.

Data Sources

- Department of Revenue, Real estate excise tax collections
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Individuals selling real estate
Taxpayer Count:	304,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 with upcoming review in 2024

82.04.392 - Trust account amounts received by mortgage brokers

Description

Amounts received by mortgage brokers from borrowers for payment of third-party services are trust funds held in trust accounts until disbursement (RCW 19.146.050). The amounts received by mortgage brokers from trust accounts for payment of third-party services are exempt from B&O tax.

Purpose

To recognize that trust fund payments to third parties are not income to the mortgage broker.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.670	$0.760	$0.850	$0.970
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, a mortgage broker may be able to deduct third-party services as an advance or reimbursements (WAC 458-20-111).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.700	$0.850	$0.970
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth in mortgages mirrors the housing market growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- The growth in mortgage fees mirrors the real personal income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Buyers will use a mortgage broker for a home loan 16% of the time.
- Certain third-party fees would not qualify as pass-through (under WAC 458-20-111) and the broker would owe tax on those amounts.
- Third-party fees paid by brokers qualify as pass-through 80% of the time.

Data Sources

- S&P Global Market Intelligence, Housing Market Indicators
- Economic and Revenue Forecast Council, March 2023 forecast
- FFIEC, Home Mortgage Disclosure Act modified loan application register
- Realtor Magazine, Average Closing Costs by State
- Bankrate, Closing Costs Survey, May 2017
- The Mortgage Reports, Mortgage Broker Population Rises: Here's why that's good for you

82.04.392 - Trust account amounts received by mortgage brokers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Mortgage brokers holding funds used to pay for third-party provided services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.399 - Academic transcripts

Description

Educational institutions are exempt from B&O tax on income from sales of academic transcripts.

Purpose

Educational institutions which are considered departments and institutions of the state of Washington (like the University of Washington) are not subject to B&O tax and would not be subject to the tax on sales of transcripts regardless of this exemption. Private institutions, however, would be subject to B&O tax on such sales. This exemption provides that all educational institutions, public or private, are exempt from B&O tax on amounts received from sales of transcripts, and thus levels the playing field for public and private educational institutions with respect to these sales.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth based on projected enrollment figures.
- The state would not pay B&O tax on income providing transcripts for students at public colleges and universities.
- Political subdivisions are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.
- 31% of high school graduates order five transcripts at $5 each.
- 50% of college graduates order and pay for 5 transcripts at $10 each.

Data Sources

- Office of the Superintendent of Public Instruction, K-12 data
- Digest of Education Statistics, College graduate data

82.04.399 - Academic transcripts

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Public and private educational institutions
Taxpayer Count:	295 school districts, 46 public colleges, 57 private colleges
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2014 and 2019

82.04.405 - Credit unions - federal chartered

Description

Credit unions chartered under federal law are exempt from B&O tax.

Purpose

The Federal Credit Union Act prohibits state taxation of federally chartered credit unions. This exemption was created when the B&O tax was extended to financial institutions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.000	$4.320	$4.660	$5.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because federal law prohibits state taxation of federal credit unions.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue impact because federal law prohibits state taxation of federal credit unions.
- Includes credit union taxpayer savings from loans as that revenue is not included in the first mortgage B&O tax deduction.
- Growth rate mirrors the compound annual growth rate for federally chartered credit union gross income from 2014 to 2022.

Data Sources

- National Credit Union Administration, Annual Financial Performance Reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Federally Chartered Credit Unions
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and 2017

82.04.405 - Credit unions - state chartered

Description

Credit unions chartered under Washington law are exempt from B&O tax.

Purpose

To provide comparable tax treatment as federally-chartered credit unions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$50.940	$55.370	$60.190	$65.430
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues but state-chartered credit unions could apply for federal charters. There are benefits to being a state-chartered credit union which might exceed the potential B&O tax incurred.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.194	$0.274	$0.343
Local Taxes	$0.000	($0.441)	($0.504)	($0.527)

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for use tax mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The B&O growth rate for state-chartered credit unions is the compound annual growth rate over the last five years.
- Large and medium sized state-chartered credit unions will convert to a federally-chartered credit union. Smaller credit unions will remain state-chartered. A "small" credit union has less than 10,000 members.
- As a federal entity, a federally-chartered credit union is exempt from sales and use taxes. Credit unions converting to federally-chartered will no longer report sales and use taxes.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council March 2023 revenue forecast
- National Credit Union Administration, 2021 call report data

82.04.405 - Credit unions - state chartered

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	State-Chartered Credit Unions
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and 2017

82.04.408 - Housing Finance Commission

Description

Income received by the Housing Finance Commission (commission) is exempt from B&O tax. This income includes fees generated from bonds issued and interest received from reserves used for the operation of the Commission.

Purpose

To support the activities of the commission as a financial conduit for programs that provides affordable housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption may increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	The Housing Finance Commission
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption.
JLARC Review:	Expedited review completed in 2011 and 2017

82.04.410 - Hatching eggs and poultry

Description

Farmers who produce and sell hatching eggs or poultry for use in production of poultry or poultry products are exempt from B&O tax.

Purpose

To support poultry producers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No hatcheries in Washington produce genetically improved chicks on a large-scale basis for commercial producers. Most Washington commercial egg producers purchase replacement chicks from out-of-state hatcheries.
- Minimal impact for hatching eggs sold within Washington.

Data Sources

- U.S. Department of Agriculture, 2017 Agriculture Census
- Joint Legislative Audit & Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers that produce and sell eggs or poultry for production
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 and expedited review completed in 2018

82.04.415 - Sand and gravel for local road construction

Description

B&O tax does not apply to the cost of labor and services performed in mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel and rock taken from a pit owned by or leased to a city or county. The sand, gravel or rock must be either:

- Placed on a street of the city or county.
- Sold at cost to another city or county for use on public roads.

Purpose

Reduces the cost of local governments building and maintaining streets and roads.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.270	$0.290	$0.310	$0.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.260	$0.310	$0.320
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6.0% based on excise tax data.
- Sand and gravel used in local construction represent 7.5% of government contracting, as reported by 70% of highway, street, and bridge construction taxpayers.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1965
Primary Beneficiaries:	Contractors and municipalities that perform road work
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.04.416 - 2nd Narrows bridge

Description

Income from the operation of state route #16 corridor transportation systems and facilities constructed and operated is exempt from B&O tax. This statute addresses the second bridge across the Tacoma Narrows. The state contracts with a private business to operate the toll booths. The income the state pays the operator of the bridge tolling systems is exempt from B&O tax under this statute. The toll receipts are income of the state and not subject to state B&O tax.

Purpose

Lower the overall cost of operation of the bridge and encourage a private business to enter into a contract with the state to operate the facility.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Transportation, 2022 Toll Division Annual Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Businesses that contract with the state to operate the bridge toll facilities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2020

82.04.418 - Grants to local government

Description

Grants from the state or the U.S. government to municipal corporations or political subdivisions are exempt from B&O tax.

Purpose

Supports grants for social welfare services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues as these amounts are exempt under other statutes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this exemption results in no revenue impact. Other statutes provide exemptions for governmental and social welfare grants (RCW 82.04.419 and 82.04.4297).

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Local jurisdictions receiving grants from state or U.S. government
Taxpayer Count:	Unknown
Program Inconsistency:	None
JLARC Review:	Expedited review completed in 2011 with an upcoming review scheduled in 2025

82.04.419 - Local government business income

Description

Counties, cities, towns, school districts and fire districts are exempt from B&O tax.

Public utilities and enterprise activities are not exempt from B&O tax. Enterprise activities include activities financed and operated similar to a private business.

Purpose

Excludes government activities, except utility and enterprise activities, from tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$207.600	$251.600	$262.700	$275.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$86.000	$114.400	$119.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repeal impact does not include county, city, town, school district, and fire district income exempt under other statutes.

Data Sources

- State Auditor Office, Local government data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Counties, cities, towns, school districts, and fire districts
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2025

82.04.4201 - Regional Transit Authority Sales and Leasebacks

Description

Lease payments received under a sale and leaseback arrangement involving a regional transportation authority (RTA) are exempt from B&O tax.

Purpose

The RTA uses this financing mechanism to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2000
Primary Beneficiaries:	Regional transit authority
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2020

82.04.421 - Group discount purchases

Description

Memberships in a qualifying discount program are exempt from B&O tax if the seller delivers the membership materials to a point outside the state.

Purpose

Provides tax relief to Washington businesses that sell discount purchase memberships to residents of other states.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Sellers of certain memberships
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.422(2) - Accommodation sales of automobiles

Description

New car dealers are exempt from the wholesaling B&O tax for wholesale sales of new vehicles to other new car dealers of the same make of vehicle.

Purpose

Recognizes these sales are for the convenience of dealers to enable them to meet customer demand and do not represent profit for the seller.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.156	$0.162	$0.167	$0.173
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.149	$0.167	$0.173
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesaling B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This estimate may be overstating revenues as the repeal of the exemption for dealer trades may result in additional taxpayers using the exemption for accommodation sales (many of these transactions may qualify as both).

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2001
Primary Beneficiaries:	Dealers of new motor vehicles
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 with an upcoming review in 2026

82.04.425 - Accommodation sales

Description

Wholesale sales between businesses regularly selling the same type of property are exempt from B&O tax where the sale is at a cost to a buyer with an existing order for the product from a customer or occurs within 14 days as a reimbursement in-kind for a previous accommodation sale.

Additionally, sales by a wholly owned subsidiary to its parent company are exempt from B&O tax when the parent sells the goods in a transaction that qualifies for the sales tax exemption for sales to U.S. government and pays the B&O tax.

Purpose

Exempts wholesale sales made between businesses solely for the purpose of adjusting inventories to satisfy customer demand.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.185	$1.103	$1.026	$0.955
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, it is likely that businesses will make fewer accommodation sales to other sellers if they must pay B&O tax on such sales.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.011	$1.026	$0.955
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate assumed is average growth rate for the last five years.
- Data used only includes casual/accommodation sales exemptions from taxpayers with motor vehicle dealer NAICS codes assigned; this could include amounts due to casual sales and could exclude accommodation sales from other industries.
- This estimate may be overstating revenues as the repeal of the exemption for dealer trades may result in additional taxpayers using the exemption for accommodation sales (many of these transactions may qualify as both).

Data Sources

- Department of Revenue, Excise tax data

82.04.425 - Accommodation sales

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1955
Primary Beneficiaries:	Wholesalers and retailers
Taxpayer Count:	113
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2026

82.04.4251 - Nonprofit convention and tourism promotion

Description	Payments received by nonprofit organizations from a government entity, Indian Tribe, or other public corporation for purposes of promoting tourism are exempt from B&O tax.
Purpose	To encourage tourism.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Tourism Marketing Authority, State tourism promotion oversight

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2006
Primary Beneficiaries:	Private organizations promoting tourism
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.04.426 - Semiconductor microchip manufacturing after $1 billion investment

Description

Businesses that manufacture semiconductor microchips (defined as embedding integrated circuits on semiconductor wafers) are exempt from B&O tax on their manufacturing activity.

The exemption is contingent on commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This exemption expires January 1, 2024, unless the contingency is met.

Purpose

To retain and attract semiconductor businesses in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because no business is currently utilizing this incentive.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This contingency has yet to be met and the investment will not occur during the period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses manufacturing semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2021

82.04.4261 - Federal small business innovation grants

Description

Grants received under the federal small business innovation research program are exempt from B&O tax.

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.210	$0.218	$0.228	$0.239
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.200	$0.228	$0.239
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- National Institute of Health, Small Business Innovation Research and Small Business Technology Transfer award data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Small businesses
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2023

82.04.4262 - Federal small business technology transfer grants

Description

Grants received from the federal government under the small business technology transfer program are exempt from B&O tax. The small business technology transfer program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace.

Purpose

Encourages research and development in high-technology small businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.035	$0.036	$0.038	$0.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.033	$0.038	$0.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast.
- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer award data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Persons receiving grants from the federal government under the small business technology transfer program.
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2023

82.04.4264 - Nonprofit assisted living facilities

Description

Licensed nonprofit assisted living facilities providing room and domiciliary care to residents are exempt from B&O tax on amounts received.

A nonprofit assisted living facility means a facility that meets one of the following:
- Operated as a religious or charitable organization.
- Exempt from federal income tax under 26 U.S.C. Sec. 501(c)(3).
- Incorporated under the Washington Nonprofit Corporation Act.
- Operated as part of a nonprofit hospital.
- Operated as part of a public hospital district.

"Domiciliary care" means assistance with activities of daily living provided by the assisted living facility either directly or indirectly; or health support services, if provided directly or indirectly by the assisted living facility; or intermittent nursing services, if provided directly or indirectly by the assisted living facility.

Purpose

Reduces B&O tax for nonprofit assisted living facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.617	$0.644	$0.672	$0.702
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.541	$0.672	$0.702
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 4.4% per Statista's analysis of long-term care facility costs.

Data Sources

- Department of Revenue, Excise tax data
- Statista, "Daily costs and increase of facility long-term care in the U.S. as of 2021"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Nonprofit assisted living facilities
Taxpayer Count:	72
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.04.4265 - Comprehensive cancer centers

Description

Comprehensive cancer center income is exempt from B&O tax to the extent the amounts are exempt from federal income tax.

Purpose

To encourage a comprehensive cancer center to conduct cancer research.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.04.4266 - Fruit and vegetable manufacturing or processing

Description

Manufacturers of fruits or vegetable by canning, preserving, freezing, processing, or dehydrating are exempt from B&O tax for the following activities:

- The manufacture of fruits and vegetables.
- The sale of manufactured fruit and vegetables at wholesale to purchasers who transport it out-of-state in the ordinary course of business.

This exemption expires July 1, 2035.

Purpose

To provide tax relief to fruit and vegetable processors and to create and retain jobs within the fruit and vegetable industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.850	$21.310	$21.780	$22.260
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.530	$21.780	$22.260
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 2.2% based on incentive savings reported in the annual tax performance reports.

Data Sources

- Department of Revenue, Annual tax performance reports

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2005
Primary Beneficiaries:	Business manufacturing or processing fresh fruits or vegetables
Taxpayer Count:	260
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010, 2014, and 2022

82.04.4267 - Parking and business improvement areas

Description

A chamber of commerce or similar business association contracting with a local government to administer the operation of a parking and business improvement area (PBIA) is exempt from the B&O tax for the amounts received to administer it.

Purpose

Ensures the PBIA won't receive different tax treatment whether administered by a local government or a chamber of commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.623	$0.646	$0.675	$0.710
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.593	$0.675	$0.710
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Various cities, Business improvement area reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Local government with business improvement areas
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.4268 - Dairy products manufacturing or wholesaling

Description

Manufacturers of dairy products are exempt from B&O tax for the following activities:

- The manufacture of dairy products.
- The sale of manufactured dairy products to purchasers who transport it out-of-state in the ordinary course of business.
- The sale of dairy products to purchasers who use the products as an ingredient or component in the manufacture of a dairy product.

Purpose

To provide tax relief to dairy processors and to create and retain jobs within the dairy industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.230	$6.460	$6.690	$6.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.920	$6.690	$6.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 3.6% based on incentive savings reported in the annual tax performance reports.

Data Sources

- Department of Revenue, Annual tax performance reports.

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1983
Primary Beneficiaries:	Dairy businesses
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Full reviews completed in 2010, 2014, and 2022

82.04.4269 - Seafood products manufacturing

Description

Manufactured seafood products that remain in a raw, raw frozen, or raw salted state are exempt from B&O tax for the following activities:

- The manufacture of seafood products.
- The sale of manufactured seafood products to purchasers who transport it out-of-state in the ordinary course of business.

This exemption expires July 1, 2035.

Purpose

To provide tax relief to seafood processors and to create and retain jobs within the seafood industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.997	$1.724	$1.487	$1.283
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.580	$1.487	$1.283
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of -13.7% based on incentive savings reported in the annual tax performance reports.

Data Sources

- Department of Revenue, Annual tax performance reports.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1983
Primary Beneficiaries:	Seafood businesses
Taxpayer Count:	35
Program Inconsistency:	None evident
JLARC Review:	Full reviews completed in 2010, 2014, and 2022

82.04.427; 82.34.050(2); 82.34.060(2) - Pollution control facilities

Description

Provides a credit against B&O tax for up to 50% of the cost of required pollution control facilities. The total annual credit is limited to 2% of the cost of such facilities.

Purpose

To encourage pollution control and to compensate Washington businesses for the costs of upgrading pollution control facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit may increase revenues. However, businesses may argue they have a vested right to take credits authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Businesses required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum, and food industries.
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review scheduled in 2026

82.04.4271 - Nonprofit youth organization fees

Description

Nonprofit youth organizations may take a B&O tax deduction for membership fees, dues, and fees paid for the use of camping and recreational facilities.

Purpose

Supports the programs and social benefits provided by nonprofit youth organizations. This deduction covers the typical charges of YMCAs, church camps, and similar organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.351	$0.379	$0.410	$0.442
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.348	$0.410	$0.442
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Approximately 50% of the income of nonprofit organizations focusing on youth development comes from membership fees and retail activities.
- Approximately 30% of nonprofit organizations focusing on youth development own property in Washington and are receiving a property tax exemption.
- Revenues generated from youth development organizations grow 8% annually.

Data Sources

- Department of Revenue, Property tax data
- National Center for Charitable Statistics, Youth development organization data
- Urban Institute, Nonprofit revenue data
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.04.4272 - Direct mail delivery charges

Description

Delivery charges made for direct mail are exempt from B&O taxes if the charges are stated separately on the bill given to the purchaser. Direct mail refers to printed material delivered without charge to a mass group, or a mailing list provided by the purchaser.

Purpose

To exempt from delivery charges (postage) for direct mail from taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.069	$0.070	$0.073	$0.076
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.064	$0.073	$0.076
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.4274 - Nonprofit property management

Description

Nonprofit property management companies may deduct income received for paying on-site employees from a:

- Property owner.
- Housing authority.
- Limited liability company or limited partnership where the only managing member or general partner is a housing authority.

Purpose

To treat the income as pass-through. The management company supervises the on-site personnel, but the wages are ultimately the obligation of the owner.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.250	$1.290	$1.350	$1.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.190	$1.350	$1.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Business employment data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2011
Primary Beneficiaries:	Nonprofit property managers
Taxpayer Count:	1,226
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4275 - Child welfare services

Description

Health or social welfare organizations may deduct compensation they receive for providing child welfare services under a government-funded program for purposes of the B&O tax.

A person may deduct amounts they receive from Washington which are distributed to a health or social welfare organization as compensation for providing child welfare services under a government-funded program.

Purpose

Reduces the costs for health or social welfare organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.055	$0.054	$0.062	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.049	$0.062	$0.067
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2011
Primary Beneficiaries:	Health or social welfare organizations
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.04.4276 - Loans to rural electric cooperatives

Description

Cooperative finance organizations may take a B&O deduction for amounts received derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services organized under state laws.

A cooperative finance organization is a non-profit organization with the primary purpose of providing, securing, or otherwise arranging financing for rural electric cooperatives.

A rural electric cooperative is a non-profit customer-owned organization that provides utility services to rural areas.

Purpose

To reduce taxes paid by cooperative finance organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Cooperative finance organizations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4281(1)(a) - Investments by nonfinancial entities

Description

Businesses outside the financial sector, individuals, nonprofits, trusts, and estates qualify for a B&O deduction for investment income provided they are not engaged in banking, lending, or securities business activities.

Purpose

Recognizes that incidental investment income does not constitute taxable business income. Provides a positive environment for capital investment in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$337.300	$337.700	$342.400	$351.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues; however, most investment income could move out of Washington. Also, locating all persons with taxable income may be difficult.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$152.800	$320.800	$325.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024.
- Individuals must file annually, with payments due each April for income received in the prior calendar year. The first collections will occur in April 2025.
- All other filers must file monthly, impacting 11 months in fiscal year 2025.
- The small business tax credit applies, using the Service and Other Activities classifications.
- Annual growth in income mirrors the growth in specific forecasts produced from the following:
  - Economic and Revenue Forecast Council
  - U.S. Bureau of Economic Analysis
  - S&P Global Market Intelligence
- Compliance:
  - 90% revenue collections in fiscal year 2025, and
  - 95% revenue collections in fiscal year 2026 and thereafter.
- Pending litigation may impact these estimates.

82.04.4281(1)(a) - Investments by nonfinancial entities

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service, Individual income tax data, tax year 2019
- Internal Revenue Service, Estates and Trusts Returns data
- Internal Revenue Service, Exempt Organizations Business Master File Extract (EO BMF) - CSV Files by State- Internal Revenue Service, Tax Stats - Annual Extract of Tax-Exempt Organization Financial Data: Exempt Organization Returns Filed in Calendar Year 2020 - Form 990 Extract

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Businesses and individuals
Taxpayer Count:	121,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2017

82.04.4281(1)(b,c) - Investment of businesses in related entities

Description

Businesses qualify for a B&O tax deduction for amounts derived as dividends or distributions from a capital account by a parent entity from its subsidiaries.

Businesses also qualify for a B&O tax deduction on amounts derived from interest on loans between a subsidiary and a parent or subsidiaries of a common parent if the total investment and loan income is less than 5% of annual gross income.

Purpose

Encourages capital investment in Washington and provides equal treatment to similarly situated businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues; however, businesses may be able to shift this income to out-of-state affiliates.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The revenue impact from the repeal of this deduction is indeterminate. Information on amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries, and information on amounts derived on loans between a subsidiary and a parent or between subsidiaries of a common parent do not appear on state excise tax returns or business financial statements.

Data Sources

- Instructions for federal consolidated corporate income tax reporting
- Department of Revenue, Intercompany Transactions Report, 2012

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1970
Primary Beneficiaries:	Businesses with subsidiaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.4282(1,2) - Membership dues and fees

Description

Businesses may take a B&O tax deduction for amounts received as initiation fees and membership dues if paid solely for continuing membership in the organization and not for payment of goods or services.

Purpose

Recognizes that initiation fees and membership dues are not a taxable activity and are not included in the gross income of the organization.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.272	$3.398	$3.549	$3.718
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.115	$3.549	$3.718
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Members do not receive goods or services in exchange for paying initiation fees and membership dues.
- Affects organizations reporting a deduction for initiation fees and membership dues except:
  - Taxpayers that are sole proprietorships.
  - Museums.
  - Fitness and recreational sports centers.
  - Nonprofit youth organizations.
  - Educational groups.
  - Legal and medical groups.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.4282(1,2) - Membership dues and fees

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Organizations who provide a membership solely for social purposes
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 with an upcoming review in 2024

82.04.4282(3,4) - Contributions and donations

Description

Organizations may take a B&O tax deduction for amounts received as contributions and donations if no goods or services are provided as a condition for receiving the funds.

Purpose

Recognizes that contributions and donations are not a taxable activity and are not included in the gross income of the organization.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$19.703	$20.460	$21.370	$22.387
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$18.755	$21.370	$22.387
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit entities
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007

82.04.4282(5) - Tuition and fees

Description

Nonprofit educational services may deduct income subject to the B&O tax for amounts charged for tuition fees.

Purpose

Reduces the cost of education provided by schools and colleges.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.820	$12.280	$12.820	$13.430
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$11.250	$12.820	$13.430
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Nonprofit educational services
Taxpayer Count:	95
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.04.4282(6) - Trade shows

Description

Nonprofit trade or professional organizations sponsoring a trade show, convention, or educational seminar not open to the general public may take a B&O tax deduction for amounts received as fees to attend and occupy space at the sponsored event.

Purpose

Recognizes fees to attend and occupy space at a sponsored trade show, convention, or education seminar not open to the general public are not a taxable activity and are not included in the gross income of the business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.065	$0.068	$0.071	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.062	$0.071	$0.074
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	Nonprofit and professional organizations
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.04.4282(7) - Private kindergartens

Description

Privately operated kindergartens may take a B&O deduction for charges made to operate the kindergarten.

Purpose

Supports privately operated kindergartens.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The deduction for kindergarten cannot be separated from the total tuition received by schools.
- This deduction is included in the B&O deduction for tuition and fees.

Data Sources

- Department of Revenue, Excise tax data
- Office of Superintendent of Public Instruction, K-12 data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	Privately owned kindergartens
Taxpayer Count:	530
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.04.4282(8) - Endowment funds

Description	Businesses may deduct income received from endowment funds.
Purpose	Recognizes that income received from endowment funds is not business income.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Any amounts being claimed under this deduction are likely deductible under other statutes (e.g. donations/contributions or investment returns of non-financial businesses). There would be no revenue impact for this statute.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Organizations that receive endowment funds
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2023

82.04.4283 - Cash discounts

Description

Cash discounts are deductible from the seller's measure of B&O tax when taken by the purchaser.

Purpose

To avoid taxing sellers on income they did not receive.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$106.000	$110.200	$114.800	$119.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues. Businesses deduct cash discounts as an accounting convenience and would likely alter their method of reporting tax if the deduction were repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- A repeal of this exemption results in no revenue impact.

Data Sources

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee, Report 09-11: 2009 Full tax preference performance reviews

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Businesses offering cash discounts to purchasers
Taxpayer Count:	6,132
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.04.4284 - Bad debts

Description

Businesses may deduct bad debts from the measure of B&O tax if the tax was previously paid. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166). "Bad debts" does not include:

- Amounts due on property that remains with the seller until fully paid for.
- Debt collection expenses.
- Retail sales or use tax paid to a seller.
- Repossessed property.

Purpose

Provides equal tax treatment between businesses using accrual basis accounting and cash basis accounting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.270	$17.960	$18.710	$19.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.460	$18.710	$19.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Businesses using the accrual method of accounting and have bad debts
Taxpayer Count:	3,071
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008

82.04.4285 - Motor fuel taxes

Description

Businesses may deduct income subject to B&O tax equal to the amount of state and federal taxes included in the sales price of motor vehicle fuel. These taxes are imposed on distributors and passed on to consumers in the retail price.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.900	$10.240	$9.700	$9.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$9.390	$9.700	$9.230
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the oil price growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Motor vehicle wholesalers and retailers
Taxpayer Count:	1,849
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.04.4286 - Constitutional deductions

Description

The Washington and U.S. Constitutions prohibit the taxation of certain activities. Amounts received from these activities are deductible from gross income when computing B&O tax. This includes, but is not limited to:

- Sales of tangible personal property received by the purchaser in another state.
- Sales by businesses that do not have substantial nexus with Washington.
- Sales of tangible personal property in export commerce to foreign countries.
- Sales by Indian tribes or tribal members in Indian country.

Purpose

To avoid violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1,676.000	$1,745.000	$1,816.000	$1,892.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenue would be collected if this deduction was repealed.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's, March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Washington State Gambling Commission data
- American Gaming Association, 'The Economic Impact of Tribal Gaming', September 2017
- Economic Market Study: 'Casinos, Cardrooms and Other Forms of Gambling in Washington State', Spectrum Gaming Group, September 2016

82.04.4286 - Constitutional deductions

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Businesses engaged in interstate and foreign commerce and Indian tribal enterprises
Taxpayer Count:	33,500
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4287 - Processing horticultural products

Description

Farmers may claim a B&O tax deduction for income received for washing, sorting, and packing fresh, perishable horticultural products.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.740	$6.550	$6.360	$6.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.000	$6.360	$6.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the gross value-added farm growth rate reflected in the Economic and Revenue Forecast Council's, March 2023 forecast.
- 15% of value is the cost to process horticultural products.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Agriculture, Census of agriculture and Washington annual statistical bulletins

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	Farmers who wash, sort, and pack horticultural products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2008 and 2018

82.04.4289 - Nonprofit kidney dialysis, nursing homes, and hospice

Description

Compensation received for patient care or from the sale of prescription drugs furnished as an integral part of services to patients are exempt from B&O tax for:

- Nonprofit nursing homes.
- Nonprofit kidney dialysis facilities.
- Nonprofit hospice agencies.
- Homes for unwed mothers operated by religious or charitable organizations.

Purpose

Reduces the cost of caring for patients.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.066	$5.262	$5.493	$5.749
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.207	$5.493	$5.749
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Organizations that operate these facilities and their patients
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.04.4290 - Mental health services

Description

Health or social welfare organizations and behavioral health administrative services organizations may deduct amounts received as compensation or for distribution for providing mental health services or substance use disorder treatment services under a government-funded program. The organization claiming the deduction must file a complete annual tax performance report with the department. This deduction expires January 1, 2032.

Purpose

To reduce taxes so more money can go directly to behavioral health services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2021
Primary Beneficiaries:	Behavioral health administrative services organizations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4291 - Services performed between local governments

Description

Local government jurisdictions may deduct amounts received from other political subdivisions as compensation for services subject to B&O tax.

Purpose

Allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impact from this deduction is included under the exemption for local government business income.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Local Governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2025

82.04.4292 - Interest on real estate loans

Description

Banking, lending, security, and other financial businesses with locations in 10 states or less may deduct interest income received on investments or loans primarily secured by first mortgages or trust deeds on non-transient residential properties.

Interest amounts deductible include the portion of fees charged to borrowers, including points and loan origination fees, recognized over the life of the loan as an adjustment in the business' accounting records according to generally accepted accounting principles.

Purpose

To reduce the cost of purchasing a home.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$78.462	$81.478	$84.610	$87.862
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$74.689	$84.610	$87.862
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers combine the first mortgage deduction with other interest deductions when reporting to the department. For those financial institutions reporting deduction detail, this estimate uses a ratio to determine the amount of the deduction applicable to the first mortgage interest.
- Review of department audits shows that taxpayers who net out the first mortgage deduction generally under report by 6.25% of service and other activities income.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Federal Financial Institutions Examination Council, Call report data
- Federal Deposit Insurance Corporation, Bank data
- Home Mortgage Disclosure Act, Loan data
- Nationwide Multistate Licensing System, Mortgage broker license data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Retail banks and mortgage companies
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.4293 - Interest from state and municipal obligations

Description

Banking, lending, security, and other financial businesses may deduct interest income received from Washington obligations, its political subdivisions, and municipal corporations.

Purpose

To provide state tax treatment comparable to federal income tax treatment of state and municipal bonds and to reduce the cost of state and local government construction projects financed by bonds.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$65.150	$65.630	$65.970	$66.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$60.160	$65.970	$66.240
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- State and municipal obligations interest growth mirrors the state and local government receipts and expenditures growth reflected in the March 2023 S&P Global Market Intelligence forecast.
- Financial institutions report interest from state and municipal obligations to the Federal Financial Institutions Examination Council (FFIEC

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Federal Financial Institutions Examination Council, Call report data
- Federal Deposit Insurance Corporation, Bank data
- Home Mortgage Disclosure Act, Loan data
- Nationwide Multistate Licensing System, Mortgage broker license data

82.04.4293 - Interest from state and municipal obligations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1970
Primary Beneficiaries:	Financial institutions that hold public bonds.
Taxpayer Count:	274
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2017

82.04.4294 - Interest on agricultural loans

Description

Lending institutions can deduct from the measure of B&O tax interest from loans made to:

- Farmers.
- Ranchers.
- Producers/harvesters of aquatic products.
- Cooperatives of farmers, ranchers, and producers/harvesters of aquatic products.

To qualify for the deduction, the lending institution must be:

- Exclusively owned by its borrowers or members, and
- Solely engaged in the business of making loans and providing finance-related services to:
  - Farmers.
  - Ranchers.
  - Producers/harvesters of aquatic products.
  - Cooperatives of farmers, ranchers, and producers/harvesters of aquatic products.
  - Rural residents for housing.
  - Businesses furnishing farm-related or aquatic-related services.

Purpose

To reduce the cost of loans supporting the agriculture industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.050	$4.120	$4.120	$4.150
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.770	$4.120	$4.150
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington farm production growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Federal Farm Credit Banks Funding Corporation, Annual information statement
- Farm Credit, Washington lending data

82.04.4294 - Interest on agricultural loans

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1970
Primary Beneficiaries:	Member-owned banks that make agricultural-related loans to its borrows
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.4295 - Minor final assembly completed in Washington

Description

The value of a product initially manufactured outside the state may be deducted from the gross amount reported under the manufacturing B&O tax, by manufacturers in Washington, when the following criteria are met:

- Any additional processing in Washington consists of minor final assembly.
- Minor final assembly does not exceed 2% of the sales value.
- The product is sold and shipped outside of Washington.

The amount of the deduction is equal to the value of the product prior to being brought into Washington.

Purpose

Stimulates trade and imports of products through Washington ports.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.
- Changes in federal import regulations has resulted in imported truck components no longer being assembled at Washington ports.

Data Sources

- None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1977
Primary Beneficiaries:	Manufacturers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2021

82.04.4296 - Funeral home reimbursement

Description

Licensed funeral home businesses may deduct income subject to B&O tax received as reimbursement for funeral expenses if the goods and services are:

- Provided by a person not employed, affiliated, or associated with the funeral home.
- Itemized separately in the billing statement.
- Billed at cost.

Purpose

To reduce the cost of funerals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.048	$0.050	$0.053	$0.055
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.046	$0.053	$0.055
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Funeral industry
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.04.4297 - Nonprofit organization government grants

Description

Nonprofit organizations or local government entities may take a B&O tax deduction for amounts received by health or social welfare organizations as compensation from federal, state, or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include:

- Health care.
- Family and drug counseling.
- Services for the sick, elderly, and handicapped.
- Day care.
- Vocational training and employment services.
- Legal services for the indigent.
- Services for low-income homeowners or renters.

Medicare and Medicaid receipts of nonprofit and public hospitals are also deductible.

Purpose

To provide government with greater purchasing power when government provides financial support for the provision of health or social welfare services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$561.900	$589.700	$622.100	$656.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$540.600	$622.100	$656.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxability activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Government grants account for 31.8% of the total revenue generated.

82.04.4297 - Nonprofit organization government grants

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Nonprofit Association of Washington, 2022 Nonprofit Economic Impact Report
- Nonprofit Metrics LLC, Cause IQ Nonprofits in Washington

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit organizations receiving government grants
Taxpayer Count:	41,500
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.4298 - Condominium homeowner maintenance fees

Description

Amounts collected and used by cooperative housing associations, condominium associations or residential property associations solely for repair, maintenance, replacement, management, and improvement of residential structures and commonly held property are deductible from B&O tax.

Purpose

To treat maintenance fees similarly to funds set aside by homeowners for similar maintenance and upkeep purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$21.337	$21.636	$21.939	$22.246
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.833	$21.939	$22.246
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Office of Financial Management average housing unit growth rate.
- Average condo fee is $3,480 per year per household.
- Average homeowner association (HOA) fee is $876 per year per home and the fees grow 8% annually.

Data Sources

- U.S. Census Bureau, National housing costs and American Housing Survey, 2021 data
- Office of Financial Management, Housing unit estimates 2020-2023

82.04.4298 - Condominium homeowner maintenance fees

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1979
Primary Beneficiaries:	Cooperative housing associations, condominium associations or residential property associations.
Taxpayer Count:	10,680
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012

82.04.4311 - Medicare payments to public and nonprofit hospitals

Description

Public and nonprofit hospitals and community health centers receive a B&O tax deduction for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program under Chapter 70.47. The deduction applies whether the revenues are received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

Purpose

To recognize that the provision of health services to people who receive federal or state subsidized health benefits by reason of age, disability, or income level is a necessary and vital governmental function.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$156.800	$156.800	$156.800	$156.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$143.700	$156.800	$156.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual qualifying revenues fluctuate around $10.4 billion; therefore, no growth is forecasted during the period of this study.
- Without this preference, the revenues above would be taxed at 1.5%.

Data Sources

- Department of Health, Hospital financial data

82.04.4311 - Medicare payments to public and nonprofit hospitals

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit/public hospitals and community health centers
Taxpayer Count:	105
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.432 - Municipal sewer service payments

Description

City sewer utilities may deduct payments to other cities or other governmental agencies for interception, treatment, or disposal of sewerage from income subject to B&O tax. Revenues from sewerage collection is taxable under the state public utility tax at a rate of 3.852%.

Purpose

This deduction eliminates pyramiding of B&O and public utility tax when multiple utilities provide sewage services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.640	$2.720	$2.810	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues as long as legislation also repeals the deduction for amounts derived by a political subdivision of the state from another political subdivision. Otherwise, there would be no increase in revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.490	$2.810	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sewer public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Municipalities
Taxpayer Count:	78
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2023

82.04.4327 - Artistic and cultural organizations

Description

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for all income from business activities, including government grants and the value of the items manufactured. These organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

Purpose

To support the programs of artistic and cultural organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.990	$3.100	$3.240	$3.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.850	$3.240	$3.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxability activity growth rate reflected in the Economic and Revenue Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit artistic, cultural, or humanity organizations
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 with an upcoming review in 2024

82.04.433 - Fuel used in commercial vessels

Description

Businesses selling marine fuel to vessels primarily used in foreign commerce and waters may deduct income subject to B&O tax.

Purpose

Treats income from marine fuel sales to vessels leaving Washington the same as goods delivered out-of-state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.100	$2.910	$2.750	$2.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.670	$2.750	$2.620
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the oil price growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration, Petroleum data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Marine fuel businesses
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 with upcoming review in 2025

82.04.4331 - Insurance claims for state health care coverage

Description

Insurance companies may take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

Purpose

To prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurers with a deduction that was available to health care contractors and health maintenance organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues. The state now self-insures, and no commercial insurer was selected to provide the uniform health plan for state employees.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction is no longer in use.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1988
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2021

82.04.4332 - Tuition fees - foreign degree-granting institutions

Description

Approved branch campuses of foreign degree-granting institutions may deduct income from B&O taxes if exempt from federal income taxes.

Purpose

Encourage foreign institutions to locate branches in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

Data Sources

- Department of Revenue, Excise tax data
- Student Achievement Council, Authorized colleges and institutions in Washington data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	Foreign degree-granting institutions
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.04.4337 - Medicaid payments to assisted living facilities

Description

Licensed assisted living facilities may deduct income received from Medicaid payments for providing residential care.

Purpose

To make the tax treatment of assisted living facilities the same as nursing homes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.268	$0.287	$0.305	$0.326
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.263	$0.305	$0.326
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Assisted living facilities
Taxpayer Count:	109
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.4339 - Salmon habitat restoration grants

Description	Governmental grants and amounts from Indian tribes received by certain nonprofit organizations for purposes of renewing, restoring, or protecting salmon ecosystems or salmon habitats in Washington are deductible from the gross amount subject to B&O tax.
Purpose	To encourage restoration of salmon habitat.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.047	$0.048	$0.051	$0.053
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.044	$0.051	$0.053
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Nonprofit organizations restoring salmon habitat
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.04.43391 - Commercial aircraft loan interest and fees

Description

This preference provides a B&O tax deduction to out-of-state financial institutions when they make loans to a Washington-based commercial airlines, who use the loan to purchase commercial airplanes. The out-of-state lenders may deduct B&O tax on the interest and fees they earn from the loans they provide from the measure of tax. The deduction authorized under this section is not available to any person who is physically present in Washington.

Purpose

To ensure the economic nexus provisions of 2010 legislation do not inadvertently apply to this activity and to retain the previous tax-exempt provisions of such interest and loan fees.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.969	$0.969	$0.969	$0.969
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction will increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.888	$0.969	$0.969
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The carrier may purchase additional airplanes in the future; assuming new loan will be offset by retiring the old loan, loan interest earning stays relatively stable.

Data Sources

- Joint Legislative Audit and Review Commission, Tax preference review 2019

82.04.43391 - Commercial aircraft loan interest and fees

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Out-of-State financial institutions who make loans to Washington-based commercial airlines for purchasing airplanes
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2019

82.04.43392 - Dispute Resolution Services

Description

A qualified dispute resolution center may deduct amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. Services must be provided at no charge or on a sliding scale fee basis.

Nonprofit organizations may deduct amounts received from federal, state, or local governments for distribution to a qualified dispute resolution center.

Purpose

To provide relief to businesses using governmental or nonprofit funding to provide dispute resolution services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2014
Primary Beneficiaries:	Dispute resolution centers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.04.43393 - Paymaster Services for Affiliates

Description

A paymaster providing payroll and related human resources services to an affiliate may deduct from the measure of B&O tax amounts received to cover the employee costs of a qualified employee.

Employee costs include wages and salaries, workers' compensation, payroll taxes, withholding, or other assessments paid to or on the behalf of an employee.

Purpose

Ensures affiliated businesses do not incur additional tax burden when streamlining the payroll process.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.460	$1.500	$1.540	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues. However, a paymaster could restructure and deduct employee costs as advances or reimbursements (WAC 458-20-111).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.370	$1.540	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Certain paymasters would restructure and use the professional employer organization deduction (PEO) or deduct as a reimbursement (WAC 458-20-111). This estimate assumes one out of three paymasters restructure to use an alternate deduction.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.43393 - Paymaster Services for Affiliates

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	Employers providing paymaster services to an affiliate
Taxpayer Count:	42
Program Inconsistency:	None evident
JLARC Review:	No review scheduled

82.04.43395(1) - Accountable communities of health

Description

Accountable Communities of Health (ACHs) may take a B&O tax deduction for Medicaid delivery system reform incentive payments and transformation project funding distributed by the Health Care Authority (HCA) through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services (CMS) approved the project in accordance with Sec. 1115(a) of the Social Security Act.

The Patient Protection and Affordable Care Act allows for CMS to approve demonstration projects giving states flexibility to design and improve their Medicaid programs. These projects intend to demonstrate and evaluate state-specific experimental policy approaches to determine whether there are alternative means to better serve Medicaid populations. Projects must be budget neutral to the Federal Government.

For the purposes of this deduction, an ACH is a regional nonprofit designated by the HCA to work together with the health care delivery system, health plans, public health, social services, community-based organizations, the justice system, schools, tribal partners, and local government leaders to improve the health equity of their communities as part of this specific demonstration project.

Purpose

To promote a more consistent tax structure, and adhere to CMS tax uniformity regulations, by allowing ACHs and qualifying hospitals to take a deduction similar to that taken by other nonprofit and public-private health care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.747	$1.747	$1.747	$1.747
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.602	$1.747	$1.747
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No annual growth, estimated payments remain constant during the forecasted period of this study.

82.04.43395(1) - Accountable communities of health

Data Sources

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2018
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026.

82.04.43395(2)(a) - Hospital incentive payments received through Medicaid quality improvement program

Description

Certain hospitals may take a B&O tax deduction from income for incentive payments received through the Medicaid quality improvement program established through federal law.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision or must be affiliated with a state institution.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.072	$5.083	$4.551	$4.596
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.660	$4.551	$4.596
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Estimated payment amounts provided Health Care Authority for the forecasted period of this study.

Data Sources

- Health Care Authority, Medicaid estimated payments
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.43395(2)(b) - Hospital delivery system reform incentive payments

Description

Certain hospitals may take a B&O tax deduction for income from Medicaid delivery system reform incentive payments and the transformation project funding distributed by the Health Care Authority through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services approved the project in accordance with Sec. 1115(a) of the Social Security Act.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision, or must be affiliated with a state institution.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

Data Sources

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2018
Primary Beneficiaries:	Health care industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.43395(3) - Managed care organization incentive payments

Description

Managed care organizations may take a B&O tax deduction for income received as incentive payments for achieving quality performance standards established through 42 C.F.R. 438.6(b)(2), as it existed on July 28, 2019.

"Managed care organization" refers to an organization authorized by the Office of the Insurance Commissioner to offer prepaid health care services to eligible clients through the Health Care Authority's Medicaid managed care programs.

Purpose

To lower costs for hospitals and managed care organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.023	$0.023	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.021	$0.023	$0.023
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No annual growth, estimated payments remain constant during the forecasted period of this study.

Data Sources

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2019
Primary Beneficiaries:	Health care industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.04.43396 - Scan down allowances

Description

Sellers may take a B&O tax deduction for income received from scan-down allowances.

"Scan-down allowance" means a payment or credit offered to a seller by a manufacturer or wholesaler of products, where all the following are true:

- The amount of the payment or credit is based on the quantity of the product to be sold at retail by the seller within a specified period.
- The seller knew the terms of the offer before making the sales.
- The seller is not required to provide any services or engage in any business activities directly or indirectly benefiting the manufacturer or wholesaler.

"Product" is defined as:

- Food and food ingredients, whether or not exempt from sales tax.
- Pet food and specialty pet food.

Purpose

To resolve an issue regarding the application of B&O tax law. This also lowers taxes for grocers, grocer manufacturers, and grocer wholesalers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.440	$0.440	$0.440	$0.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.410	$0.440	$0.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to fluctuations in historical use of the deduction these estimates assume zero growth.

Data Sources

- Department of Revenue, Excise tax data

82.04.43396 - Scan down allowances

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Grocery sellers and wholesalers
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.434 - Testing and safety labs

Description

Nonprofit corporations providing public safety services and information to Washington receive a B&O tax credit for these services. The state must request the services. Qualifying nonprofit corporations must:

- Not have any direct or indirect industry affiliation.
- Not charge the state for the provided services.

Purpose

Encourages businesses providing public safety services to locate in Washington and ensure these services are available for the safety of Washington residents.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry firms that purchase electric power directly from Bonneville Power Administration.
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with upcoming review in 2024

82.04.436 - Manufacturing alternative jet fuel

Description

A B&O tax credit is available to those manufacturing alternative jet fuel. The credit equals $1 per gallon of alternative jet fuel having at least 50% less carbon dioxide (CO2) equivalent emissions than conventional jet fuel and is sold by either:

- A business manufacturing alternative jet fuel located in a qualifying county with a population less than 650,000 at the time of an application to the department.
- A business's designated fuel blender located in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon. The credit is calculated only on the portion of jet fuel that is considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

Manufacturers claiming this credit must reduce the wholesale price of alternative jet fuel by the amount of the claimed credit.

The credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

Purpose

To encourage the production of alternative jet fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.018
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because the facility manufacturing qualifying alternative fuel is not projected to begin manufacturing fuel until June 2026.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.436 - Manufacturing alternative jet fuel

Assumptions

- This repeal takes effect July 1, 2024, before the credit becomes effective, therefore no revenue impact.

Data Sources

- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Manufacturers of alternative jet fuels
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4361 - Using alternative jet fuel

Description

A B&O tax credit is available to those using alternative jet fuel. The rules to apply for credits against B&O and PU taxes are the same; however, credits cannot be claimed against both public utility tax and B&O tax for the same fuel purchased.

The credit equals $1 per gallon of alternative jet fuel having at least 50% less CO_2 equivalent emissions than conventional jet fuel that a business purchased in the prior calendar year for use in flights departing in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO_2 equivalent emissions beyond 50%, not to exceed $2 per gallon. The credit is calculated only on the portion of jet fuel considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

This credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

Purpose

To encourage the production of alternative jet fuels.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because the facility producing qualifying alternative fuel is not projected to begin producing fuel until June 2026.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the credit become effective, therefore no revenue impact.

Data Sources

- Washington State University Office of National Partnerships, Sustainable Aviation Biofuels Work Group, December 2022 Final Report
- U.S. Energy Information Administration, Prices, Sales Volume and Stocks by State
- U.S. Energy Information Administration, PADD 5 Refinery and Blender Net Production
- California Air Resources Board, LCFS Pathway Certified Carbon Intensities
- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Air transportation businesses
Taxpayer Count:	34
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.440(2,3) - Multiple activities tax credit - instate

Description

Businesses engaging in multiple taxable activities in Washington with respect to a product may take a credit so tax is effectively paid for only one of the activities. For example, a business that manufactures and/or extracts and sells a product receives a credit for taxes paid on manufacturing and/or extracting activities.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$225.300	$220.300	$228.200	$235.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$202.000	$228.200	$235.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1987
Primary Beneficiaries:	Businesses conducting multiple activities in Washington
Taxpayer Count:	10,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2026

82.04.440(4) - Multiple activities tax credit - interstate

Description

Businesses may take a B&O tax credit when paying taxes more than once on the same product because they engage in multiple taxable activities within and outside of Washington. This credit is only available to businesses subject to a gross receipts tax similar to Washington's B&O tax. The credit can be up to the taxes paid to the other state.

Purpose

Ensures B&O tax applies to in-state and out-of-state activities equally and businesses do not pay taxes on a product more than once.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.200	$2.200	$2.200	$2.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues, provided the in-state multiple activities credit were also repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.100	$2.200	$2.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal; therefore, amount remains the same for future periods.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1985
Primary Beneficiaries:	Businesses conducting multiple activities in Washington and in other states with a gross receipts tax
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2026

82.04.4451 - Small business credit

Description

Businesses whose B&O tax liability is below a certain threshold can claim a small business B&O tax credit against the amount of B&O tax otherwise due. The maximum monthly credit is:

- $160 for businesses reporting at least 50% of their taxable activity under the:
  - Service and other activities.
  - Gambling contests of chance.
  - For-profit hospitals.
  - Scientific research and development B&O tax classifications.
- $55 for all other businesses.

Purpose

To provide tax relief to small businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$95.000	$98.900	$102.900	$107.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$53.000	$102.900	$107.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections for monthly filers and nine months of collections for quarterly filers in fiscal year 2025. Collections for annual filers begins in fiscal year 2026.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Most of the tax impact will be to the general fund. However, there may be minimal impacts to the Workforce Education Investment, Problem Gambling, and Forest and Fish Support Accounts.
- Receipts from the timber surcharge, which funds the Fish and Forest Support account, are capped at $9 million per biennium. When this cap is reached the surcharge is suspended. This estimate assumes the cap is not met and the surcharge continues to be collected.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.4451 - Small business credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Small businesses
Taxpayer Count:	272,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.44525 - International services credit

Description

Businesses providing international services and located in an eligible geographical area may receive a B&O tax credit of up to $3,000 per year for each new job created.

An eligible geographical area is a community empowerment zone (CEZ) or a city (or a group of neighboring cities) with a population of at least 80,000 having the same characteristics as a CEZ.

Eligible international services included the following services:

- Computer.
- Legal.
- Accounting and tax preparation.
- Engineering.
- Architectural.
- Business consulting.
- Business management.
- Public relations and advertising.
- Surveying.
- Geological consulting.
- Real estate appraisal.
- Financial.

Purpose

Attracts and retains businesses creating jobs and providing services to international customers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

82.04.44525 - International services credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	International Service businesses in a CEZ or an area like a CEZ
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and full review completed in 2023

82.04.4461 - Aerospace pre-production expenditures

Description

Persons engaged in qualified aerospace product development are eligible for a B&O tax credit equal to 1.5% of qualified expenditures. Qualified expenditures include research, design, and engineering costs incurred in the development of aerospace products. Qualified expenditures exclude actual production-related costs. Commercial airplane and component manufacturers or processors for hire are eligible for the credit on expenditures incurred after December 1, 2003. Other persons are eligible for the credit on expenditures incurred after June 30, 2008. This credit expires July 1, 2040.

A person who claims this credit must file a complete annual tax performance report with the department.

Purpose

To create jobs and promote the presence of the aerospace industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$75.660	$77.960	$79.470	$81.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$71.463	$79.470	$81.740
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Annual tax performance report data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes or components
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

Description

Manufacturers of commercial airplanes or commercial airplane components qualify for a B&O tax credit for state and local property taxes paid on land and buildings used exclusively to manufacture commercial airplanes or components and constructed after December 1, 2003. The credit is also available for leasehold excise taxes paid on land and buildings used exclusively for the same purposes and constructed after January 1, 2006.

Eligible property taxes include taxes paid on:

- New structures and the land beneath them.
- Increased value due to facility renovation or expansion.
- Manufacturing machinery and equipment.

Manufacturers of tooling specifically designed for use in manufacturing commercial airplanes, persons providing aerospace product development, and persons providing aerospace services qualify for a B&O tax credit for state and local property or leasehold excise taxes paid on land and buildings constructed after June 30, 2008.

Eligible property taxes include taxes paid on:

- New structures and the land beneath them.
- Increased value due to facility renovation or expansion.
- Manufacturing machinery and equipment.
- Computer hardware, peripherals, and software.

These credits expires on July 1, 2040.

A business claiming this credit must file a complete annual tax performance report with the department.

Purpose

Encourages a new assembly plant for a super-efficient aircraft to locate in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$48.900	$50.390	$51.370	$52.830
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$46.200	$51.370	$52.830
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Annual tax performance report data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial airplanes and components
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.04.447 - Natural gas sold to direct service industry (DSI)

Description

Direct Service Industry (DSI) customers (persons who purchase electric power directly from the Bonneville Power Administration) may take a B&O tax credit for the amount of public utility tax due on purchases of natural or manufactured gas used to generate electric power consumed by the DSI customer at its own gas turbine electrical generation facility. The DSI customer may use the tax credit for 60 months following the first qualifying gas purchase and the DSI customer must maintain its existing level of employment to take the credit.

Purpose

To encourage DSI customers to continue manufacturing in Washington by constructing their own natural gas-powered turbines after their BPA power contracts expire.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2021

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

Description

Businesses may take a B&O tax credit of $3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials up to eight consecutive years if the position is kept on a consecutive annual basis. If the employee works for less than six months during a calendar year, then the credit is reduced to half or $1,500.

The credit is contingent on commencement of commercial operations by a new semiconductor materials fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This credit expires January 1, 2024, unless the contingency is met.

Purpose

To retain and attract semiconductor businesses in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur, and the contingency will not be met before the expiration of this law.

Data Sources

- Department of Revenue, Excise tax data

82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses manufacturing semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and an expedited review completed in 2021

82.04.4481 - Aluminum smelter credit for property taxes paid

Description

Aluminum smelter businesses are eligible for a B&O credit equal to all qualifying property taxes paid during the calendar year. To qualify, the property must meet the following:

- Owned by a direct service industrial customer.
- Reasonably necessary for an aluminum smelter's purposes.

The B&O tax credit may be:

- Carried over and applied against B&O taxes incurred in the subsequent calendar year only.
- Taken for property taxes paid after July 1, 2004, through calendar year 2026.

The B&O tax credit is non-refundable and must be applied to B&O tax due before new credits are applied. A business claiming this B&O tax credit must file an annual tax performance report with the department.

Purpose

Provide tax relief to the state's aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

82.04.4481 - Aluminum smelter credit for property taxes paid

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.04.4482 - Aluminum smelter purchases of electricity or natural gas

Description

Businesses selling electricity, natural gas, or manufactured gas are exempt from B&O tax on sales made to an aluminum smelter when the contract requires the seller to pass the tax savings on to the buyer in the form of reduced power prices. The seller takes the exemption in the form of a tax credit.

This tax incentive applies principally to sellers of brokered natural gas because most sellers of power are subject to public utility tax and not B&O.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Manufacturers of aluminum
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.04.4486 - Tax paid on carbonated beverage syrup

Description

Businesses that pay the syrup tax may claim a B&O tax credit for 100% of the syrup tax paid if the business:

- Uses the syrup to make carbonated drinks.
- Sells the carbonated drinks.

The carbonated beverage syrup tax is $1.00 per gallon. The tax applies to syrup used in producing carbonated beverages that are not trademarked.

Purpose

To provide tax relief to the restaurant industry by offsetting their syrup tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.190	$4.120	$4.050	$3.980
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.780	$4.050	$3.980
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of -1.71% based on the historical syrup B&O tax credit data.
- Taxpayers that pay carbonated beverage syrup tax have sufficient B&O tax liability to utilize the full amount of the syrup tax paid.

Data Sources

- Department of Revenue, Excise tax data

82.04.4486 - Tax paid on carbonated beverage syrup

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses preparing and selling carbonated beverages for consumption on-premises and those that manufacture non-trademarked beverages
Taxpayer Count:	1,798
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2022

82.04.4488 - Conversion to worker-owned cooperative, employee ownership trust, or employee stock ownership plan

Description

Beginning July 1, 2024, qualifying businesses that convert to employee ownership structures may apply for a B&O tax credit. The total amount of credits authorized may not exceed an annual statewide limit of $2 million.

For each business converting to an employee stock ownership plan, the credit equals up to 50% of the conversion costs, not to exceed $100,000.

For each business converting to a worker-owned cooperative or employee ownership trust, the credit equals up to 50% of conversion costs, not to exceed $25,000.

Each business may carry over unused credit to subsequent tax periods, as long it does so within 12 months of conversion.

The credit expires on July 1, 2030.

Purpose

To provide tax relief to businesses that convert to an employee ownership structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.229	$0.417	$0.435
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the credit becomes effective, therefore no revenue impact.

82.04.4488 - Conversion to worker-owned cooperative, employee ownership trust, or employee stock ownership plan

Data Sources

- Colorado Office of Economic Development and International Trade
- Economic and Revenue Forecast Council, March 2023 forecast
- National Center for Employee Ownership

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Employee-owned businesses
Taxpayer Count:	13
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4489 - Motion Picture Program contributions

Description

Businesses making contributions to the Washington motion picture competitiveness program may earn a B&O tax credit equal to 100% of the contributions, with an annual cap of $1 million for each contributor. The total statewide credit cap is $15 million a year. No credit may be earned for contributions made after June 30, 2030.

Purpose

To support the motion picture industry and encourage production of motion pictures, television programs, and commercials in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$15.000	$15.000	$15.000	$15.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$13.800	$15.000	$15.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The statewide credit cap of $15 million will be reached annually, based on historical data.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Motion picture companies
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2026

82.04.449 - Workforce training costs

Description

Businesses may use a B&O credit for half the costs of the customized workforce training paid to the State Board for Community Colleges. The credit must be used by June 30, 2026.

A business claiming this credit must file a complete annual tax performance report with the department.

Purpose

Facilitates training of new employees for new or expanding businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.085	$0.085	$0.085	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.078	$0.085	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Future credits are consistent with the average credit amount for the past five fiscal years.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Certain employers for customized training
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020 with an upcoming review in 2024.

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O or PU tax for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.
On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.340	$0.365	$0.393	$0.422
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4496(1) - Alternative fuel commercial vehicle tax credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.335	$0.393	$0.422
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.5% based on historical alternative fuel commercial vehicle tax credit taken.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing or converting vehicles to clean alternative fuels.
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O or PU taxes for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.536	$0.576	$0.619	$0.670
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.528	$0.619	$0.670
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.5% based on historical alternative fuel commercial vehicle tax credit taken.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.04.4497 - Capital gains tax paid

Description

Businesses that report B&O tax on the proceeds from a sale or exchange subject to the Washington capital gains tax may take a credit against the B&O tax.

Purpose

To avoid taxing the same sale or exchange under both the B&O and Washington capital gains taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$14.400	$16.770	$19.720	$20.350
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$20.350
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts collections in fiscal year 2027.
- Impacts first occur in fiscal year 2027 because we assume businesses wait to apply the credit for tax year 2025 capital gains until 2026.
- Growth rate for capital gains mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The percentage of taxable capital gains also subject to the B&O tax is 6.14%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Businesses in the financial sector
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.4499 - Washington equitable access to credit act

Description

A credit against B&O tax is allowed for amounts contributed to the equitable access to credit program. No business may claim more than $1 million in a calendar year and the credit cannot exceed the amount of B&O tax due. Total credits claimed in any calendar year may not exceed $8 million. Unclaimed credits may be carried forward for two years.

This credit expires July 1, 2027.

Purpose

To make funds available to award grants to qualified lending institutions to provide access to credit for historically underserved communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.000	$8.000	$8.000	$8.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$8.000	$8.000	$8.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts full year of collection in fiscal year 2025.
- The annual $8 million cap is met each fiscal year.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Those contributing to the equitable access to credit program
Taxpayer Count:	Less than 50
Program Inconsistency:	None evident
JLARC Review:	Not reviewed yet

82.04.540(2) - Professional employer organization wages

Description	A professional employer organization (PEO) may deduct the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, and similar items paid to or on behalf of certain employees who are co-employed by the PEO and a client of the PEO.
Purpose	To exclude pass-through payroll expenses from B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.570	$0.590	$0.610	$0.630
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues. However, a PEO may qualify to deduct wages, salaries, etc. as advances or reimbursements (WAC 458-20-111).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.530	$0.610	$0.630
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Certain PEOs would restructure and use the paymaster services for affiliates deduction or deduct as a reimbursement (WAC 458-20-111). This estimate assumes two out of three PEOs restructure and use an alternate deduction.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2006
Primary Beneficiaries:	Professional employment organizations
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

82.04.545 - Electricity or gas sold to silicon smelters

Description

Persons subject to B&O tax are eligible to take a credit against the tax on the gross income from sales of electricity, natural gas or manufactured gas made to a silicon smelter. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The person taking the credit must specify in the contract of sale of electricity or gas to the silicon smelter that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit. The department must provide a separate tax reporting line for the B&O tax credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- The contingency has yet to be met. The necessary investment will not occur prior to January 1, 2024.

Data Sources

- Department of Revenue, Excise tax data

82.04.545 - Electricity or gas sold to silicon smelters

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Utility companies selling electricity, and natural or manufactured gas to a silicon smelter
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.04.600 - Printing by counties, cities, school districts, and libraries

Description

Printing completed by libraries, counties, cities, towns, school districts, and educational service districts libraries is exempt from B&O tax where:

- Material printed in the jurisdiction facility.
- Printing used exclusively for jurisdiction purposes.

Purpose

Reflects the legislative policy of not taxing nonproprietary activities of public entities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.085	$0.085	$0.085	$0.085
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.078	$0.085	$0.085
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth based on historical data.

Data Sources

- Institute of Museum and Library Services, Public library data
- Office of the Superintendent of Public Instruction, K-12 data
- State Auditor's Office, Municipality financial data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1979
Primary Beneficiaries:	Libraries, cities, counties, and school districts
Taxpayer Count:	730
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 with an upcoming review in 2025

82.04.601 - Cigarette stamping

Description

Compensation that wholesalers and retailers receive from the Indian tribes for affixing stamps on packages of cigarettes is exempt from B&O tax.

Purpose

Historically, cigarette wholesalers and retailers did not pay tax on such compensation. This exemption codified pre-existing practices.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth based on historical data.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Cigarette wholesalers and retailers
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.610 - Interstate commerce - import and export shipments

Description

The sale of tangible personal property in export commerce is exempt from B&O tax.

Tangible personal property is in export commerce when the seller delivers the property to the:
- Buyer in a foreign country.
- Carrier consigned to transport the property to a foreign country.
- Buyer at shipside or aboard the buyer's vehicle of transportation and it is clear the export process has started.
- Buyer who is in Washington if the property can be transported to a foreign destination under its own power, the seller files an export declaration and the buyer immediately transports the product to a foreign country (excludes motor vehicles).

The sale of tangible personal property in import commerce is not exempt from B&O tax, except for the following wholesale sales:
- Sales of unroasted coffee beans.
- Sales between a parent company and its wholly owned subsidiary.

Purpose

Codifies the department's tax policies regarding imports and exports (WAC 458-20-193C). This statute provides clarity concerning the taxation of property in the process of international shipment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$49.890	$51.520	$53.090	$54.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues, however, a repeal would likely result in litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$34.750	$40.300	$42.830
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.04.610 - Interstate commerce - import and export shipments

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to the volatility found from year to year, this estimate assumes 3% growth into the future.
- Wholesalers in selected NAICS codes that have a greater chance of exporting were selected as a proxy for this analysis.
- Selected NAICS includes wholesalers of lumber products and fish or seafood.
- Census data was used to estimate the exempted importing activity.
- This estimate assumes taxpayers that can, will move their delivery destination to keep their products in the federal stream of commerce and therefore a low level of compliance is assumed.
- Compliance for export shipment income:
    - 13% revenue collections in Fiscal Year 2025.
    - 26% revenue collections in Fiscal Year 2026.
    - 39% revenue collections in Fiscal Year 2027.

Data Sources

- Department of Revenue, Excise tax data
- Employment Security department, Employment data
- Internal Revenue Service, Tax return statistics

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Businesses that ship products across Washington's boundaries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.615 - Public development authorities

Description

Public corporations, commissions and authorities receive an exemption from B&O tax for income from services provided to:

- Limited liability companies in which the public entity is the managing member.
- Limited partnerships in which the public entity is the general partner.
- Single-asset entities required by a federal, state, or local housing assistance program which is directly or indirectly controlled by the public entity.

Purpose

Assists housing authorities that receive federal grants for low-income housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public development authorities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.04.620 - Prescription drug administration

Description

Physicians or clinics may deduct amounts received for the infusion or injection of drugs for human use pursuant to a prescription from the B&O tax. The deduction may not exceed the current federal reimbursement rate under Medicare. The injection must be covered or required under a health care program subsidized by the federal or state government.

Purpose

To improve patient care by encouraging physicians to administer drugs in their own facilities, rather than referring their patients to a hospital where the wait time and cost of care may be greater.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.500	$3.620	$3.740	$3.960
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.290	$3.740	$3.960
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Doctors, clinics, and their patients
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.04.627 - Commercial airplane parts

Description

The sale of parts to the manufacturer of a commercial airplane is deemed to take place at the site of final testing or inspection under federal aviation regulation part 21 subpart F or G. Parts sold by Washington sellers for delivery to out-of-state locales are exempt from the state B&O tax if these criteria are met.

The sale of following parts and products are not eligible for an exemption from B&O tax under this section:

- Standard parts manufactured in compliance with a government or established industry specification.
- Products produced under a technical standard order authorization or letter of technical standard order design approval pursuant to federal aviation regulation part 21, subpart O.
- Parts in which final testing or inspection under federal aviation regulation part 21, subpart F or G takes place in this state.

Purpose

To give incentives to commercial airplane manufacturers to locate and produce products in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.200	$0.210	$0.210	$0.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.190	$0.210	$0.220
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Manufacturers or suppliers of commercial airplane components
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Description

An eligible distributor may claim a B&O tax exemption for the gross proceeds of wholesale sales of the following products to an eligible retailer.

An "eligible distributor" means a wholesaler who purchases commercial fertilizer, agricultural crop protection products, and seed from the manufacturer and resells those products only to eligible retailers who:
- Are not affiliated persons.
- Have an ownership interest in an entity that has 50% or more ownership interest in the wholesaler.

"Affiliated persons" means persons who have any ownership interest, whether direct or indirect, in each other, or where any ownership interest, whether direct or indirect, in each of the persons by another person or by a group of other persons that are affiliated with respect to each other.

"Eligible retailer" means a person engaged in the business of making retail sales of commercial fertilizer, agricultural crop protection products, and seed that also holds at least a 5% ownership interest in an entity that holds 50% or more ownership interest in an eligible distributor.

Other distributors are not eligible for this exemption. This exemption does not have an expiration.

Purpose

The tax preference is intended to reduce structural inefficiencies in the tax structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2017
Primary Beneficiaries:	Eligible wholesaler of fertilizer and agricultural crop protection products to eligible retailers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.04.635 - Legal services to low-income persons

Description

Income received by nonprofit organizations for providing legal services to low-income persons is exempt from B&O tax. The nonprofit must primarily be engaged in the provision of legal services to low-income individuals. Nonprofits are persons exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal internal revenue code.

Purpose

Testimony on this exemption indicates funding levels had decreased and the exemption would allow nonprofits to increase their level of service with little impact to state funds in light of increasing demand for services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2009
Primary Beneficiaries:	Businesses providing legal services to low-income persons
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.04.640 - Vaccine Association assessments

Description

The Washington Vaccine Association collects funds from health care insurers and third-party administrators for the cost of vaccines provided to children. Funds received by the association are exempt from B&O tax.

Purpose

To improve the health of children.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2010
Primary Beneficiaries:	The Association and indirectly, children of the state
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.04.645 - Financial institution affiliate income

Description

Financial institutions are exempt from B&O tax on amounts received from affiliates from arm's length transactions as required under the Federal Reserve Act (sections 23A or 23B).

Purpose

To encourage affiliate transactions by financial institutions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, not all affiliate transactions would be taxable at full market value.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Information on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B) do not appear on state excise tax returns or financial institution federal reports. The revenue impact of this bill is indeterminate.

Data Sources

- Department of Revenue, Excise tax data
- Federal Financial Institutions Examination Council, Consolidated Reports of Condition and Income

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Banks with subsidiaries and/or affiliates
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.650 - Financial institution investment conduit or securitization entity income

Description

Cash and securities received by an investment conduit of a financial institution or a securitization entity of a bank holding company are exempt from B&O tax.

Purpose

To avoid taxing the same revenue more than once and to clarify that the activities of financial institution investment conduits and bank securitization entities are not taxable.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.600	$21.300	$22.000	$22.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$19.500	$22.000	$22.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the 10-year treasury yield growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Assets are held for one-third of the year.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Securities Industry and Financial Markets Association, U.S. Asset Backed Securities Statistics
- Securities Industry and Financial Markets Association, U.S. Mortgage-Backed Securities Statistics
- Bureau of Economic Analysis, Financial sector contributions to gross domestic product
- Freddie Mac, Commitment rate on conventional 30-year mortgage

82.04.650 - Financial institution investment conduit or securitization entity income

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Real estate lenders and their customers
Taxpayer Count:	56
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.04.655 - Joint municipal utility authority

Description

Payments between or transfers of assets to or from joint municipal utility services authorities and any of its members are exempt from B&O tax.

Purpose

To reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Joint municipal utility services authorities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.04.660 - Environmental handling charges

Description

Environmental handling charges on the retail sale of mercury-containing lights are exempt from B&O taxes.

Purpose

To provide revenue for costs associated with the product stewardship program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Sales of mercury-containing lights are decreasing 40% annually.

Data Sources

- Department of Revenue, Excise tax data
- LightRecycle Washington, Annual reports 2015- 2020- Department of Ecology, Mercury-Containing Lights Product Stewardship Plan

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses selling mercury-containing light products
Taxpayer Count:	2,800
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.750 - Restaurant employee meals

Description

Meals provided to employees of restaurants without specific charge to the employees are exempt from B&O tax.

Purpose

To allow restaurant owners to provide free meals to their employees without incurring B&O tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.340	$0.340	$0.342	$0.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.041	$0.044	$0.045
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the employment growth rate for the service-providing labor force reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A restaurant employee works an estimated 241 days a year.
- Of the estimated number of employee meals provided to restaurant employees, 29% are provided free of charge.
- An estimated 90% of restaurant employees will receive a free employer-provided meal.
- The average cost of a restaurant employer-provided meal is $4.50.
- A compliance rate of 13% revenue collections applies to each fiscal year of the estimate.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Bureau of Labor Statistics, May 2022 State Occupational Employment and Wage Estimates, Washington
- U.S. Bureau of Labor Statistics, Establishment data table B-2b: Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, not seasonally adjusted
- U.S. Bureau of Labor Statistics, Food from home in U.S. city average, all urban consumers, chained, not seasonally adjusted

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	20,144
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.04.755 - Nonprofit litter reduction grant income

Description

Grants received by local governments and nonprofit organizations from the waste reduction, recycling, and litter control account are exempt from B&O tax.

Purpose

To promote local and statewide education programs designed to help the public with litter control, waste reduction, recycling, and composting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Grant amounts remain constant, therefore no growth.

Data Sources

- Department of Ecology, Waste Reduction & Recycling Education 2022-2023 Program Guidelines

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Local government entities and nonprofits
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.04.756 - Cannabis grown or cannabis products manufactured by a cooperative

Description

The B&O tax does not apply to a cooperative's activities with respect to growing cannabis, or manufacturing cannabis concentrates, useable cannabis, or cannabis-infused products.

Purpose

Cooperatives are intended to provide small amounts of medical cannabis to members and may not sell products to members or others. There is no intent to tax this activity.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Revenue impact is indeterminate because the number of future cooperatives and their activities are unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Cooperative medical cannabis growers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full reviewed completed in 2021

82.04.758 - Custom farm and farm management services

Description

Providers of custom farming services and farm management services are exempt from B&O tax if the provider performing the services is the owner or lessor of the land or related to the owner or lessor.

Purpose

To provide tax relief to persons performing custom farm services for their relatives.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.053	$0.055	$0.058	$0.061
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.051	$0.058	$0.061
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2022
Primary Beneficiaries:	Persons providing custom farm services for their relatives
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015, and full review completed in 2018 prior to the old statute expiring

82.04.759 - Newspapers - eligible digital content

Description

A B&O exemption is available for amounts received from any of the following activities:

- Printing and/or publishing newspapers.
- Publishing of "eligible digital content" by printers and/or publishers who reported under the printing and publishing tax classification in 2008.

"Newspaper" means:

- A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper.
- An electronic version of a printed newspaper that:
    - Shares content with the printed newspaper.
    - Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

"Eligible digital content" is a publication:

- Published at regularly stated intervals of at least once a month.
- Featuring written content, the largest category of which, as determined by word count, contains material that identifies the author or the original source of the material.
- Made available to readers exclusively in an electronic format.

Purpose

To support local newspapers and online digital news publishers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.390	$1.350	$1.340	$1.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.240	$1.340	$1.280
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the newspaper production growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax return data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Newspaper printers and publishers and publishers of eligible digital content
Taxpayer Count:	110
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.765 - Architectural paint assessment

Description

The purchase price of new paint includes a paint stewardship fee. This fee funds the operation of the architectural paint stewardship program (70A.515 RCW) and is exempt from B&O tax.

Purpose

To reduce the cost to businesses required to collect and remit the paint stewardship program fee.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.041	$0.041	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.038	$0.041	$0.041
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- PaintCare projects flat growth for future revenues.

Data Sources

- Department of Revenue, Excise tax data
- Paintcare, 2022 Annual Report

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Sellers of architectural paint
Taxpayer Count:	1,100
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.767 - Qualifying Grants – National emergency or state of emergency

Description

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from B&O tax.

Purpose

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues during a national or state of emergency.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The revenue impact of this bill is indeterminate. Future emergency situations and the provision of government-funded assistance to taxpayers is unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Recipients of government-funded grants or debt relief during a national emergency or state of emergency
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.770 - Plastic bags - retail establishments

Description

Pass-through charges on recycled content paper carryout bags and reusable carryout bags made of film plastic provided by retail establishments are exempt from B&O tax.

Purpose

To encourage shoppers to bring their own reusable carryout bags to reduce waste, litter, marine pollution, conserve resources, and protect fish and wildlife.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.220	$0.220	$0.340	$0.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.210	$0.340	$0.340
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington population growth rate reflected in the Office of Financial Management's April 2022 forecast.
- Until December 31, 2025, a retail establishment must collect a pass-through charge of eight cents for every compliant carryout bag.
- Beginning January 1, 2026, a retail establishment must collect a pass-through charge of 12 cents for reusable carryout bags.
- A retail establishment must keep all revenue from pass-through charges. The pass-through charge is a taxable retail sale.
- The plastic bag ban effects all jurisdictions in Washington.
- Every year Washingtonians use two billion single-use plastic bags.
- Washington bag ban reduced plastic bag consumption by 71.5%.

Data Sources

- Office of Financial Management, April 2022 population forecast
- U.S. Census 2021 National Population Projections Datasets
- Department of Ecology, State of Washington
- Conservation Law Foundation

82.04.770 - Plastic bags - retail establishments

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2020
Primary Beneficiaries:	Retailers
Taxpayer Count:	65,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.775 - Carbon credits

Description

State law imposes a low-carbon fuel standard to reduce levels of air pollutants and greenhouse gas emissions. The Department of Ecology manages the clean fuel standards (Clean Fuels Program) to reduce the carbon intensity of transportation fuels in Washington. The Clean Fuels Program allows for the generation and trading of credits, each representing one metric ton of carbon dioxide emissions.

Income businesses receive from the generation, purchase, sale, transfer, or retirement of carbon credits under the Clean Fuels Program is exempt from B&O tax.

Purpose

To provide tax relief to businesses that trade carbon credits under the Clean Fuels Program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues, however, the impact indeterminate at this time.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Registration for the program began January 1, 2023. Fuel transactions for Quarter 1 of 2023 were reported as late as July 31, 2023. The infancy of the program and lack of data prohibits a reasonable or accurate estimate at this time.

Data Sources

Department of Ecology, Clean fuel standard data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Businesses that trade carbon credits under the Clean Fuel Standard program
Taxpayer Count:	316
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.777 - Environmental management of used batteries

Description

Under the battery stewardship program, battery stewardship organizations must start collecting covered batteries and battery-containing products by July 1, 2027. Each battery producer pays a fee to a battery stewardship organization to support these activities. These fees are exempt from the B&O tax.

Purpose

To provide tax relief to battery stewardship organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, before the exemption becomes effective, therefore no revenue impact.

Data Sources

- US Bureau of Economic Analysis, Personal Consumption Expenditures, 2021
- Call2Recyle, Data
- Department of Ecology, Data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Battery producers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.32.045(5)(a) - Minimum to file excise tax return

Description

A business is not required to file an excise tax return with the department if the business:
- Has gross income subject to B&O tax of less than $125,000 per year.
- Has gross income subject to PU tax of less than $24,000 per year.
- Is not required to collect or pay sales tax to the department.
- Is not required to collect or pay any other tax or fee to the department.

Purpose

To reduce administrative costs for taxpayers and the department.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. The small business credit offsets the B&O tax liability that results from a repeal.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The tax savings from this exemption are included under the impacts of the small business credit (RCW 82.04.4451).

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Small businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2023

82.32.055 - Active duty military penalty waiver

Description

Business owners who are on active duty in the military qualify for a waiver of interest and penalties for delinquent excise taxes if the interest and penalties are imposed:

- During a period of armed conflict.
- On a qualifying military member assigned to a location outside of the U.S.

Purpose

Provides economic relief to businesses owned by qualifying active-duty members of the military.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Business owners that are active duty military
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.32.531 - Trade convention attendance/nexus

Description

If a business has a physical presence in Washington, they must register with the department and report and pay any B&O, sales, and use taxes due. Attending one trade convention per calendar year does not create a physical presence unless the business makes retail sales at the trade convention.

A trade convention is an exhibition for a specific industry or profession that is not marketed to the general public.

Purpose

To encourage participation in Washington trade conventions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Due to the highly specific criteria and broad range of taxpayers it may apply to, the revenue impact of this estimate is indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2016
Primary Beneficiaries:	Out of state businesses that attend one trade show per year
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

Description

A B&O tax credit is available for each new employment position created by a business located in a rural county engaged in the following activities:

- Manufacturing.
- Computer-related programming and services performed by a manufacturer.
- Research and development.
- Commercial testing laboratories.

A rural county has an average population density of fewer than 100 persons per square mile or is smaller than 225 square miles.

The credit is equal to:

- $2,000 for each new qualified employment position with wages and benefits below $40,000.
- $4,000 for each new qualified employment position with wages and benefits above $40,000.

The total statewide credit cap is $7.5 million per fiscal year.

Purpose

Encourages businesses to expand in rural counties.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.170	$0.130	$0.100	$0.070
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.120	$0.100	$0.070
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate determined from historical trend of credit amount due to declining credit usage.
- Estimate of future revenue impacts are based on credits used rather than credits approved.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Businesses located in rural counties engaged in qualifying activities
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and 2023

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or PU tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure.
- Limited to $60 per employee per year.
- Limited to $100,000 each fiscal year.

The program has an annual cap of $2.75 million for both B&O and PU tax credits, and currently expires July 1, 2024. No person may claim tax credits after June 30, 2024.

Purpose

To encourage employers to provide financial incentives to employees for carpooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.500	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues. The credit expires July 1, 2024.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The credit expires July 1, 2024; a repeal would result in no revenue impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and 2022

82.73.030 - Commercial area revitalization contributions (main street program)

Description

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial B&O or PU tax credit.

The credit is either 75% of the approved contributions made to a Main Street Program or to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more at the time of designation.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.120	$4.120	$4.120	$4.120
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.780	$4.120	$4.120
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The estimate of future revenue impacts is based on credits used rather than credits approved.
- The credit cap of $5 million will be met.
- The proportion of the credit claimed against B&O and PU tax remains constant.

Data Sources

- Department of Revenue, Excise tax data

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses participating in commercial area revitalization.
Taxpayer Count:	436
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

Chapter 3
Brokered Natural Gas

82.12.022(3) - Natural and manufactured gas not delivered by pipeline

Description

Natural or manufactured gas delivered to customers by means other than through a pipeline is not subject to a brokered natural gas use tax.

Purpose

This statute was enacted to clarify the application of this tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, natural gas is only delivered via pipeline.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1994
Primary Beneficiaries:	Customers who receive natural gas via other means
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.12.022(4) - Natural gas subject to public utility tax

Description

Gas is not subject to the brokered natural gas use tax if the seller previously paid public utility tax for the same gas.

Purpose

This exemption eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, which is why the brokered natural gas tax is in place.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$74.056	$76.062	$79.811	$85.208
Local Taxes	$89.608	$92.035	$96.571	$103.101

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$69.724	$79.811	$85.208
Local Taxes	$0.000	$84.365	$96.571	$103.101

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via gas distribution companies that paid PU tax
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.12.022(5) - Aluminum smelter purchases of natural gas

Description	Natural or manufactured gas an aluminum smelter uses is not subject to the brokered natural gas use tax.
Purpose	To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Annual tax performance report data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015

82.12.022(7) - Silicon smelter use of natural or manufactured gas

Description

Brokered natural gas use tax does not apply to using natural or manufactured gas by silicon smelters.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in the production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. There are no silicon smelter facilities in Washington, nor are there any permits for facility projects.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Silicon smelter facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.12.022(8) - Taxes paid in other states for natural gas

Description

There is a credit against the natural gas use tax equal to any tax paid by either:
- The seller if the tax paid by the seller to another state is like Washington's public utility tax.
- The consumer if the tax paid by the consumer to another state is like Washington's natural gas use tax.

Purpose

To eliminate double taxation of the same fuel.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Purchasers of gas via brokers who have the gas delivered from other states
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.12.024 - Deferral for direct service industries (DSIs)

Description

This statute allows a deferral of the tax on brokered natural and manufactured gas for direct service industrial customers (DSIs) that construct a new gas turbine power plant. DSIs are large industrial manufacturers that purchase power directly from the Bonneville Power Administration (BPA). This deferral does not require the amount of this tax to be repaid if the DSI continues generating electricity from the gas turbine for a minimum of five calendar years and the DSI's average employment levels have not dropped below the six-year average level.

Purpose

To encourage DSIs to build their own gas-powered electric generating facilities to avoid having to curtail production in the event of electricity supply issues stemming from the BPA.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this deferral. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry businesses constructing a new power plant
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

Chapter 4
Capital Gains Tax

82.87.050(1) - Real estate excluded from capital gains

Description

The capital gains tax does not apply to the sale or exchange of real estate.

Purpose

To avoid taxing the sale or exchange of real estate. To prevent double taxing transactions subject to the real estate excise tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$970.000	$1,020.000	$1,050.000	$1,030.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$1,000.000	$980.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Approximately 50% of taxpayers with capital gains from the sale or exchange of interest in a privately held entity use the privately held entity exemption because not all privately held entities own real estate.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

82.87.050(1) - Real estate excluded from capital gains

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from real estate transactions
Taxpayer Count:	5,400
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(2) - Interest held in a privately-held entity excluded from capital gains

Description

The capital gains tax does not apply to capital gains derived from the sale or exchange of an interest in a business (or other privately held entity), only to the extent that such capital gains resulted from the sale of real estate directly owned by the business.

Purpose

To avoid taxing the sale or exchange of real estate.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$12.200	$12.900	$13.300	$13.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$12.600	$12.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Approximately 50% of taxpayers with capital gains from the sale or exchange of interest in a privately held entity use the privately held entity exemption because not all privately held entities own real estate.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

82.87.050(2) - Interest held in a privately-held entity excluded from capital gains

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from interest held in a privately held entity
Taxpayer Count:	3,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(3) - Assets held in certain retirement accounts

Description

The capital gains tax does not apply to capital gains derived from the sale or exchange of assets held in most types of retirement accounts.

Purpose

To avoid taxing the sale or exchange of retirement income.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This exemption impacts fewer than five taxpayers; any impacts are confidential.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with certain types of retirement accounts
Taxpayer Count:	Fewer than five
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(4) - Assets subject to condemnation, or sold or exchanged under imminent threat of condemnation

Description

The capital gains tax does not apply to capital gains derived from the sale or exchange of assets under threat of condemnation.

Purpose

To avoid taxing the sale or exchange of condemned assets.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.880	$3.050	$3.140	$3.110
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$2.980	$2.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, June 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

82.87.050(4) - Assets subject to condemnation, or sold or exchanged under imminent threat of condemnation

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from condemned assets
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(5) - Certain livestock related to farming or ranching

Description

The capital gains tax does not apply to capital gains derived from the sale or exchange of cattle, horses, or breeding livestock for individuals who earn the majority of their income from farming or ranching.

Purpose

To avoid taxing farmers and ranchers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.200	$21.400	$22.000	$21.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$20.900	$20.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

82.87.050(5) - Certain livestock related to farming or ranching

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from livestock
Taxpayer Count:	600
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(6) - Assets used in a trade or business to the extent those assets are depreciable

Description

The capital gains tax does not apply to the sale or exchange of depreciable assets used in a trade or business.

Purpose

To provide a tax preference for businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.390	$1.470	$1.510	$1.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$1.430	$1.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

82.87.050(6) - Assets used in a trade or business to the extent those assets are depreciable

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from depreciable business property
Taxpayer Count:	1,500
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(7) - Timber, timberlands, and dividends and distributions from real estate investment trusts

Description

The capital gains tax does not apply to the sale or exchange of timber or timberland. This exemption also applies to dividends and distributions from real estate investment trusts derived from the sale or exchange of timber or timberland.

Purpose

To provide a tax preference for owners of timber and timberland.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.600	$10.200	$10.500	$10.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$10.000	$9.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

82.87.050(7) - Timber, timberlands, and dividends and distributions from real estate investment trusts

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from timber or timberlands
Taxpayer Count:	140
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(8) - Commercial fishing privileges

Description

The capital gains tax does not apply to the sale or exchange of commercial fishing privileges.

Purpose

To provide a tax preference for individuals working in a regulated fishing industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This exemption impacts fewer than five taxpayers; any impacts are confidential.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from the sale of commercial fishing privileges
Taxpayer Count:	Fewer than five
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.050(9) - Goodwill received from the sale of a franchised auto dealership

Description

The capital gains tax does not apply to goodwill received from the sale of a franchised auto dealership.

Purpose

To provide a tax preference for auto dealers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This exemption impacts fewer than five taxpayers; any impacts are confidential.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains from the sales of auto dealerships
Taxpayer Count:	Fewer than five
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.060(1) - Standard deduction of $250,000 per year

Description

An individual may deduct up to $250,000 from the taxable amount for tax year 2022. For spouses or domestic partners, their combined standard deduction is limited to $250,000 regardless of whether filing joint or separate returns. For years 2023 and beyond, the deductible amount is indexed to inflation.

Purpose

To avoid taxing individuals with relatively small amounts of Washington capital gains.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$736.000	$773.000	$796.000	$832.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$760.000	$790.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Eliminating the standard deduction does not impact the amount of the capital gains tax credit applied against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.
- Internal Revenue Service: Individual income tax returns for tax year 2019

82.87.060(1) - Standard deduction of $250,000 per year

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains
Taxpayer Count:	428,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.060(2) - Amounts the state is prohibited from taxing

Description

An individual may deduct amounts the state is prohibited from taxing, whether by federal law or under state law.

Purpose

To comply with applicable tax laws.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.060(3) - Qualified family-owned small business deduction

Description

If certain conditions are met, an individual may deduct capital gains derived from the sale of substantially all the assets or transfer of the individual's interest in a "qualified family-owned small business."

Purpose

To avoid taxing the sale of a small business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$15.000	$16.000	$16.000	$15.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$15.000	$14.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Individuals who would have taken the qualified family-owned small business deduction will replace some or all of the deduction with the standard deduction.
- Repealing this deduction will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.
- Department of Revenue, Excise tax data

82.87.060(3) - Qualified family-owned small business deduction

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Small business owners
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.060(4) - Charitable donation deduction

Description

If certain conditions are met, for tax year 2022, an individual may deduct an amount donated to a qualified charity in excess of $250,000. The maximum deduction amount is $100,000. These amounts are adjusted annually for inflation. A donation must be for an organization or charity directed or managed within Washington to qualify.

Purpose

To incentivize charitable donations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.279	$0.295	$0.304	$0.296
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.289	$0.281
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Individuals who would have taken the charitable donations deduction will replace some or all of it with the standard deduction.
- Repealing this deduction will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.
- Department of Revenue, Excise tax data

82.87.060(4) - Charitable donation deduction

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with charitable donations
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.87.100(2) - Taxes paid to another jurisdiction

Description

A credit against the Washington capital gains tax is allowed for the amount of capital gains taxes paid to another taxing jurisdiction on capital gains derived from sources within the other taxing jurisdiction to the extent the capital gains are included in the measure of the Washington capital gains tax.

Purpose

To prevent double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.577	$0.610	$0.628	$0.641
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.597	$0.609
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this credit will not impact the capital gains tax credit amount against the B&O tax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.

82.87.100(2) - Taxes paid to another jurisdiction

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Individuals with capital gains taxes paid to another jurisdiction
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 5
Cigarette, Tobacco, and Vapor Products Tax

43.06.510; 43.06.515 - Vapor products covered by tribal contracts

Description

The vapor product tax and state and local sales and use taxes do not apply to Indian tribes with vapor product tax contracts with the state of Washington. This is because each contract adopted must have a tribal vapor product tax equal to the state vapor product tax and state and local sales and use taxes.

Purpose

To prevent redundant taxation of vapor products in Indian country.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The state will not impose its vapor products tax and sales and use taxes on these products, as the tribes already impose equivalent taxes under the contracts.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	State, local, and tribal governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.24.260(1)(b); 82.24.290 - Cigarettes for military personnel

Description

The cigarette tax does not apply to cigarettes sold to the U.S. Veterans' Administration, to branches of the U.S. armed forces at exchanges, commissaries, or ships' stores; or to authorized purchasers from these federal instrumentalities. Also, a federal instrumentality selling unstamped cigarettes to authorized military personnel is exempt from cigarette tax.

Purpose

Federal legislation, the Buck Act (4 U.S.C.§ 107), implicitly prohibits states from imposing a cigarette tax upon military members and their dependents.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.900	$0.900	$0.900	$0.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because federal law prohibits states from taxing tobacco products purchased by military members and their dependents.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repeal causes no revenue impact because federal law prohibits states from taxing tobacco products purchased by military members and their dependents.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1940
Primary Beneficiaries:	Military personnel and their dependents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.24.260(1)(c) - Cigarette allotment for Tribes

Description

Certain quantities of untaxed cigarettes are allowed tax-free for consumption by tribal members on the reservations in Washington. The number of untaxed cigarettes is based on the number of enrolled tribal members living on the reservation and the national average per capita consumption rate.

Note: The use of cigarette allotments has largely been replaced by contracts between Washington and many Indian tribes regarding the regulation and taxation of cigarettes in Indian country.

An Indian tribal organization selling unstamped cigarettes to enrolled members of that same tribe is exempt from cigarette tax.

Purpose

The U.S. Supreme Court has ruled that states do not have the authority to impose a cigarette tax on enrolled tribal members living on their reservations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.435	$1.435	$1.435	$1.435
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this exemption would not increase revenues, as that would violate the U.S. Supreme Court ruling.

Data Sources

Department of Revenue, Tribal allotment data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1975
Primary Beneficiaries:	Enrolled members of tribes living on reservations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.24.295(1) - Cigarettes covered by tribal contracts

Description

The cigarette tax does not apply to the sale, use, consumption, handling, possession, or distribution of cigarettes by an Indian retailer if its tribe has a cigarette tax contract with the state of Washington.

Purpose

To provide consistency in the regulation and taxation of cigarettes in Indian country. Also, it promotes economic development, provides needed revenues for tribal governments, and enhances enforcement of the state's cigarette tax, ultimately saving the state money and reducing conflict.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$66.600	$66.600	$66.600	$66.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The state will not impose its vapor products tax and sales and use taxes on these products, as the tribes already impose equivalent taxes under the contracts.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2001
Primary Beneficiaries:	State, local, and tribal governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020

82.25.025 - Constitutional or Federal prohibition on vapor products

Description

Vapor products tax does not apply to any vapor products which, under the U.S. Constitution and laws, may not be made the subject of taxation by the state of Washington.

The vapor products tax is based on the volume of the solution, as listed by the manufacturer. The tax rates are as follows:

- Any accessible container of solution, regardless of nicotine content, that is greater than five milliliters (mL) is taxed at 9 cents per mL.
- All other vapor products are taxed at 27 cents per mL.

"Vapor product" is any non-combustible product containing a solution or other consumable substance, regardless of whether it contains nicotine, which employs a mechanical heating element, battery, or electronic circuit regardless of shape or size that can be used to produce vapor from the solution or other substance, including an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. The term also includes any cartridge or other container of liquid nicotine, solution, or other consumable substance, regardless of whether it contains nicotine, that is intended to be used with or in a device that can be used to deliver aerosolized or vaporized nicotine to a person inhaling from the device and is sold for such purpose.

"Accessible container" is a container that is intended to be opened. The term does not mean a closed cartridge or closed container that is not intended to be opened, such as a disposable e-cigarette.

Purpose

To recognize that applying vapor products tax to such sales is prohibited.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, as the U.S. Constitution prohibits taxing certain vapor products.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues are realized if the state law is repealed; these sales are constitutionally exempt at the federal level.

82.25.025 - Constitutional or Federal prohibition on vapor products

Data Sources	Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Federal personnel
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.25.105 - Vapor products sold out of state or to Indian Tribes

Description

A tax credit is allowed for vapor products tax paid on products that are:
- Shipped or transported outside Washington to a person in the business of selling vapor products.
- Returned to the manufacturer or destroyed by the distributor.
- Sold to the federal government or any of its agencies or instrumentalities.
- Sold to Indian tribal organizations.

Purpose

To provide for situations where exceptions to the vapor products tax are required.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.500	$4.500	$4.500	$4.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues, as this would violate federal laws and contractual agreements.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues are realized if the state law is repealed due to the tax violating federal laws and contractual agreements on certain activities.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2019
Primary Beneficiaries:	None
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.26.040 - Constitutional or Federal prohibition on tobacco products

Description

The tobacco products tax does not apply to any tobacco products (cigars, pipe tobacco, etc.), which the U.S. Constitution or federal law provides the state may not tax. The Buck Act (4 U.S.C. § 107) prohibits state taxation of tobacco products sold to branches of the U.S. armed forces at exchanges, commissaries, or ship's stores or sales to authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration. Washington has codified its acceptance of the provisions of the Buck Act.

Purpose

Federal legislation prohibits states from taxing tobacco products sold to authorized purchasers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.243	$0.243	$0.243	$0.243
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues as that would violate the U.S. Constitution or federal laws.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues are realized if the state law is repealed as these sales are exempt by the U.S. Constitution or federal law.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1959
Primary Beneficiaries:	None
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.26.110 - Tobacco products sold out of state or to Indian Tribes

Description

In-state wholesalers of tobacco products can obtain a tax credit for sales to tribal and federal organizations.

Purpose

Historically, the department has not required wholesalers to collect and remit other tobacco products tax on sales to tribal and federal organizations. Still, the treatment of these sales was not straightforward. This statute codified existing practice in response to statutory changes and previously settled lawsuits.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$85.300	$85.300	$85.300	$85.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues as that would violate federal laws or contractual agreements.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues are realized if the state law is repealed. These sales are exempt at the federal level or through contractual agreements.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1959
Primary Beneficiaries:	None
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 6
Enhanced Food Fish Tax

82.27.010(1) - Tuna, mackerel, and jack

Description

Tuna, mackerel, and jack fish are exempt from the enhanced food fish tax.

Purpose

The enhanced food fish tax helps support the continued production of fish species through state hatchery programs. State hatchery programs do not support the production of tuna, mackerel, and jack fish, so they are exempt from the tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.353	$0.353	$0.353	$0.353
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.324	$0.353	$0.353
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Mackerel and jack landings in Washington are minimal to none.
- There is no forecasted revenue growth due to the volatile nature of enhanced food fish tax collections.

Data Sources

- National Oceanic and Atmospheric Administration, Landing data
- Washington Department of Fish & Wildlife, Landing data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Tuna, mackerel, and jack fish harvesters
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.27.020(2) - Deduction of one-half of fish tax

Description

A licensed dealer who purchases enhanced food fish from a commercial fisher pays a fish tax. The licensed dealer may deduct an amount equal to one-half of the fish tax from the price they pay to the commercial fisher.

Purpose

To promote the commercial fish industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues but would increase the cost to consumers.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction does not reduce the amount of fish tax due. The licensed dealer can share the amount due with the commercial fisher.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1980
Primary Beneficiaries:	Businesses paying enhanced food fish tax
Taxpayer Count:	148
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.27.020(4) - Fish tax differential rates

Description

Businesses paying the enhanced food fish tax (including a 7% surtax) may pay a preferential tax rate depending on the species of fish or shellfish and the location of the catch:

- Puget Sound chinook, coho and chum salmon, and anadromous game fish, 5.62%.
- Ocean waters, Columbia River, Willapa Bay, and Grays Harbor, chinook, coho, and chum salmon and anadromous game fish, 6.69%.
- Pink and sockeye salmon, 3.37%.
- Sea urchins and sea cucumbers, 2.25%.
- Oysters, 0.09%.
- All other food fish and shellfish, 2.25%.

Purpose

Reflects market conditions for various types of fish.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.129	$7.129	$7.129	$7.129
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing the preferential rates would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.535	$7.129	$7.129
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- This estimate eliminates the preferential tax rate by increasing all lower tax rates to 6.69%.
- There is no growth reflected due to the volatility of the industry.

Data Sources

- Department of Revenue, Excise tax data

82.27.020(4) - Fish tax differential rates

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1980
Primary Beneficiaries:	Certain fish and shellfish harvesters
Taxpayer Count:	148
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.27.030(1,3) - Imported frozen or packaged fish

Description

There is an enhanced food fish tax exemption for:
- Enhanced food fish originating outside Washington that enters Washington either frozen or packaged for retail sale.
- Food fish, shellfish, anadromous game fish, and by-products or parts of food fish shipped from outside Washington into Washington.

Purpose

Fish first landed or packaged and processed for retail sale outside Washington are not subject to the enhanced food fish tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.285	$6.285	$6.285	$6.285
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, eliminating the exemption may trigger a Commerce or Import-Export Clause challenge.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.761	$6.285	$6.285
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth is reflected in this estimate due to the industry's volatility.

Data Sources

- Department of Revenue, Excise tax data
- National Oceanic and Atmospheric Administration, Fishery imports

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1980
Primary Beneficiaries:	Fish processors, wholesalers, and retailers
Taxpayer Count:	458
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.27.030(2) - Commercially grown fish & shellfish

Description

Growing, processing, or dealing with food fish and shellfish raised from eggs, fry, or larvae by agricultural methods in Washington is exempt from enhanced food fish tax.

Purpose

The enhanced food fish tax is not intended to apply to commercially produced fish and shellfish.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.529	$1.529	$1.529	$1.529
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.402	$1.529	$1.529
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A growth rate was not applied due to the volatile nature of enhanced food fish tax collections.

Data Sources

- Department of Revenue, Excise tax data
- University of Washington, Sea Grant Washington, Shellfish harvest value

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1980
Primary Beneficiaries:	Fish farms
Taxpayer Count:	85
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.27.040 - Taxes paid in other states

Description

A credit is allowed against the amount of enhanced food fish tax owed for any tax previously paid on the same food fish to any legally established taxing authority.

Purpose

To eliminate double taxation on the same food fish.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.198	$0.198	$0.198	$0.198
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.182	$0.198	$0.198
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- There is no forecasted revenue growth due to the volatile nature of enhanced food fish tax collections.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1980
Primary Beneficiaries:	Fish harvesters
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

Chapter 7
Estate Tax

83.100.020(1) - Estate tax threshold

Description

Through calendar year 2013, $2 million is excluded from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 that annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. The exclusion amount for estates of decedents dying in calendar year 2022 is $2,193,000.

Purpose

Subject only higher-valued estates to the estate tax while exempting lower-valued estates.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4,710.000	$4,496.700	$4,701.600	$4,921.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$323.800	$1,419.900	$1,481.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024. The first payments would be due on April 1, 2025, resulting in three months of impact in fiscal year 2025.
- All payments are made timely at the nine-month due date.
- Approximately 70,000 deaths in Washington in 2022, decreasing to about 63,000 deaths in 2026.
- Percent of deaths by age based on Washington life expectancy data.
- Washington's average net worth is 128% of the national average net worth.
- Approximately 28% of estates go through probate.
- For probated estates, a high compliance factor is used:
    - 90% revenue collections in fiscal year 2025, and
    - 95% revenue collections in fiscal year 2026 and thereafter.
- For non-probated estates, a compliance factor of 5% is used for all years.

Data Sources

- Office of Financial Management, November 2022 forecast of the state population by age and sex, 2010-2040
- Washington Life Expectancy, Washington causes of death by age and gender
- U.S. Census Bureau, Wealth and marital data
- Consumer Price Index (CPI), Real Income, Seattle CPI, Percent Change

83.100.020(1) - Estate tax threshold

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005; exclusion increases, 2013
Primary Beneficiaries:	Individuals who receive benefits from the estate
Taxpayer Count:	60,000 – 70,000 per year
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

83.100.046 - Farm property

Description

Estates deduct the value of qualified real and personal property used primarily for farming from their taxable estate.

Purpose

Ensures surviving family members do not need to sell farm assets to pay estate taxes. However, heirs taking this deduction are not required to continue farming.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.200	$7.200	$7.200	$7.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$5.400	$7.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, which impacts the farm deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of 24 estates per year take the farm deduction.
- The average tax savings per estate is $300,000.

Data Sources

- Department of Revenue, Estate tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2005
Primary Beneficiaries:	Estates with farm assets
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015, and expedited review completed in 2018

83.100.047 - Marital deduction

Description

The decedent's estate may deduct the value of property passed to a surviving spouse or state-registered domestic partner for:

- Property passing by election.
- Property providing an income interest for the life of the surviving spouse or domestic partner when the proper election is made.

Purpose

Postpones exposure to estate tax for assets passed to a surviving spouse until the surviving spouse's death.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$390.000	$390.000	$390.000	$390.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$292.500	$390.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, which impacts the marital deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of 650 estates per year take the marital deduction.
- The average tax savings per estate is $600,000.

Data Sources

- Department of Revenue, Estate tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005
Primary Beneficiaries:	Surviving spouses
Taxpayer Count:	650 per year
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2020

83.100.048 - Family-Owned Business Interest

Description

Qualified family-owned business interests may be deducted from the taxable estate if certain conditions are met, including:

- The value of the qualified family-owned business interests exceeds 50% of the Washington taxable estate determined without regard to the deduction for the applicable exclusion amount.
- The decedent must have been a citizen of the U.S. and a qualified family-owned business acquired by any qualified hair.
- The value of the qualified family-owned business interests is not more than $6 million.
- During the eight years ending on the date of the decedent's death, there have been five or more years of material participation related to the operation of the business.

The deduction is limited to $2.5 million and applies only to decedents dying on or after January 1, 2014.

Purpose

Ensures surviving family members do not need to sell family-owned business assets to pay estate taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.700	$1.700	$1.700	$1.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$1.300	$1.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, which impacts the qualified family-owned business interest deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of seven estates per year take the qualified family-owned business interest deduction.
- The average tax savings per estate is $250,000.

Data Sources

- Department of Revenue, Estate tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2013
Primary Beneficiaries:	Estates containing family-owned businesses
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015, and expedited review completed in 2020

Chapter 8
Fuel Tax

35.58.560 - Refund of motor vehicle fuel taxes for METRO

Description

Metropolitan municipal corporations may request a refund of the motor vehicle fuel tax paid on each gallon of fuel used for urban passenger transportation systems. The entire trip is disqualified from the refund if the trip goes more than six road miles beyond the corporate limits of the Metro boundaries.

Purpose

To support public transportation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Included under the exemption for fuel for urban passenger transportation systems, RCW 82.38.080 and 82.38.180.

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Metro transit systems and their patrons
Taxpayer Count:	Fewer than three
Program Inconsistency:	Other municipalities pay public utility tax on income associated with operating transportation systems – except for the deduction for income devoted to service improvements for low-income and elderly customers (RCW 82.16.050(14)).
JLARC Review:	Expedited review completed in 2010 and 2020

82.38.030(9)(e); 82.38.032 - Fuel previously taxed

Description

Fuel sold or removed in Washington to an unlicensed entity is exempt from fuel taxes if there was a prior taxable removal, entry, or sale of the fuel. International fuel tax agreement licensees or persons operating motor vehicles under other reciprocity agreements are exempt from fuel tax if the tax has been previously imposed and paid.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	International fuel tax agreement licensees
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with upcoming review in 2025

82.38.080 - Other special fuel tax exemptions

Description

The sales of special fuel (i.e., fuel other than gasoline) to publicly or privately owned urban transportation systems are generally exempt from the special fuel tax.

Additionally, sales of fuel for the following uses are exempt from the special fuel tax:

- Street and highway construction and maintenance in state, county, or municipality-owned and operated motor vehicles.
- Publicly owned firefighting equipment.
- Vehicles not designed or used primarily for transporting people or property.
- Certain motor vehicle power take-off equipment.
- U.S. government-owned motor vehicles.
- Heating purposes.
- Moving between two pieces of private property a motor vehicle on a public highway.
- Transportation services for persons with special needs by a private nonprofit transportation provider.
- Equipment such as mixing units or refrigeration units powered by motors separate from vehicle fuel tanks.
- Operation of a motor vehicle as a part of a logging operation upon a federal highway within a federal area if the vehicle's use of the highway is subject to a fee related to federal roads or highways.
- Waste vegetable oil used to manufacture biodiesel.

The removal or entry of special fuel is exempt from special fuel tax if the fuel is dyed special fuel; if the persons involved are licensed; or if it is shipped to a point outside Washington.

Purpose

To recognize that some fuels suitable for propelling motor vehicles are also put to other uses and to support governmental entities and public transportation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.450	$5.540	$5.620	$5.710
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.080	$5.620	$5.710
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.38.080 - Other special fuel tax exemptions

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1971
Primary Beneficiaries:	Special fuel tax users not covered under other exemptions
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2025

82.38.080(1)(a-c) - Government and public uses

Description

The following sales of special fuel are exempt from the fuel tax:
- Sales to the state of Washington, any county, or any municipality when the fuel is used for street and highway construction and maintenance purposes in motor vehicles owned and operated by the jurisdiction.
- Sales for use in publicly owned firefighting equipment.
- Sales to the U.S. government.

Purpose

Lowers the costs of government and public services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.520	$1.540	$1.570	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.410	$1.570	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1971
Primary Beneficiaries:	Federal, state, and local government agencies
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2025

82.38.080(1)(d); 82.38.180(3)(a) - Special needs transportation

Description

Private, nonprofit organizations that provide transportation services for persons with special transportation needs are exempt from motor vehicle fuel and special fuel taxes.

Purpose

Supports transportation programs for the elderly and handicapped.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.270	$0.270	$0.270	$0.270
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.250	$0.270	$0.270
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1983
Primary Beneficiaries:	Transportation providers for persons with special needs
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 with upcoming review in 2025.

82.38.080(1)(e) - Waste vegetable oil biodiesel

Description	Waste vegetable oil used to manufacture biodiesel is exempt from the special fuel tax.
Purpose	To promote the manufacturing of alternative fuels and to lower their cost.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Included under the exemption for other special fuel tax exemptions, RCW 82.38.080.

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Biodiesel fuel manufacturers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2025.

82.38.080(1)(f,g); 82.38.180(3)(b) - Urban transportation

Description

Fuel sold to publicly and privately owned urban passenger transportation systems is exempt from the special fuel tax.

Purpose

To lower the operating costs of public transportation systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.110	$5.190	$5.270	$5.350
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.760	$5.270	$5.350
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1957
Primary Beneficiaries:	Urban transportation systems
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.38.080(2)(a) - Fuel sold to the military

Description

Sales of fuel to the armed forces of the U.S. or the National Guard are exempt from the special fuel tax if the fuel is:
- Used exclusively in ships.
- Exported from Washington.

Purpose

Encourages the purchase of fuel in Washington and saves the armed forces the administrative burden of applying for a fuel tax refund for the amount used in ships.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.114	$0.116	$0.117	$0.118
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.106	$0.117	$0.118
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1933
Primary Beneficiaries:	United States Military
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.38.080(2)(b) - Fuel sold to foreign governments

Description

Fuel sold to foreign diplomatic and consular missions is exempt from the special fuel taxes if the foreign government represented grants an equivalent exemption to missions and personnel of the U.S. performing similar services in the foreign country.

Purpose

To maintain good foreign relations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Foreign Governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2025

82.38.080(2)(c) - Racing fuel

Description

Sales of fuel used exclusively for racing that is not legally allowed on the public highways of Washington is exempt from the special fuel tax.

Purpose

To recognize fuel tax receipts can only be used for highway purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1998
Primary Beneficiaries:	Automobile racetracks and racing teams
Taxpayer Count:	96
Program Inconsistency:	None evident
JLARC Review:	Full report completed in 2022

82.38.180(1)(a) - Nonhighway fuel use

Description

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel purchased for purposes other than the propulsion of motor vehicles upon highways in Washington. A refund may not be made for fuel consumed by a motor vehicle required to be registered as a commercial motor vehicle.

Purpose

Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to ensure that the tax applies only to fuel used on public highways.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.840	$5.930	$6.030	$6.120
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.440	$6.030	$6.120
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1923
Primary Beneficiaries:	Users of fuel for off-public road purposes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 with upcoming review in 2025

82.38.180(1)(b) - Exported fuel refunds

Description

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel exported for use outside Washington. This does not include fuel distributed to a federally recognized Indian tribal reservation within Washington.

Purpose

To impose fuel tax only on fuel used on Washington's public highways.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1,236.100	$1,248.300	$1,260.400	$1,272.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1,144.300	$1,260.400	$1,272.400
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1923
Primary Beneficiaries:	Fuel Exporters
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2007 with upcoming review in 2025

82.38.180(1)(d,e); 82.38.180(2)(d) - Lost or destroyed fuel

Description

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel lost or destroyed through fire, lightning, flood, windstorm, or explosion. A tax refund is also available for losses of 500 gallons or more through leakage or other casualty except evaporation, shrinkage, or other unknown causes.

A refund may be requested for special fuel taxes paid on fuel inadvertently mixed with dyed special fuel.

Purpose

To impose fuel tax only on fuel used on Washington's public highways.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.040	$7.110	$7.180	$7.250
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.520	$7.180	$7.250
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.
- May include data from other fuel tax exemptions and refunds.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1923
Primary Beneficiaries:	Persons who lost fuel or had fuel destroyed
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2007 with upcoming review in 2025

82.38.180(1)(f) - Power pumping unit

Description

The motor vehicle or special fuel tax may be refunded for tax paid on fuel used in power pumping units or other power take-off equipment of any motor vehicle which is accurately measured by metering devices that have been specifically approved by the Department of Licensing or by a formula determined by the Department of Licensing.

Purpose

Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to ensure that the tax applies only to fuel used on public highways.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.810	$2.850	$2.900	$2.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.620	$2.900	$2.940
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Persons who use power pumping equipment
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review in 2012 with upcoming review in 2025

82.38.180(2)(a) - Logging operations using federally owned roads

Description

The special fuel tax may be refunded for tax paid on fuel used for the operation of a motor vehicle as a part of or incidental to logging operations on a highway under federal jurisdiction within the boundaries of a federal area if either occurs:

- The federal government requires a fee for the privilege of operating a motor vehicle on the highway.
- The proceeds are reserved for constructing or maintaining roads in the federal area.

Purpose

To lower the cost of logging operations on federal land.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.000	$1.010	$1.030	$1.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.930	$1.030	$1.040
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Logging businesses and haulers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with upcoming review in 2025

82.38.180(2)(b) - Special mobile equipment

Description

The special fuel tax may be refunded for tax paid on fuel used by special mobile equipment.

Purpose

Fuel tax receipts can only be used for highway purposes under the 18th Amendment to the state constitution. The refund helps to assure that the tax applies only to fuel used on public highways.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Amounts for this exemption are included with the exemption for non-highway fuel use, RCW 82.38.180(1a).

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1971
Primary Beneficiaries:	Persons using special mobile equipment
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2025

82.38.180(2)(c) - Incidental use of public highway

Description

The special fuel tax paid on fuel may be refunded for fuel in a motor vehicle used for movement between two pieces of private property where the movement is incidental to the vehicle's primary use.

Purpose

Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to ensure that the tax applies only to fuel used on public highways.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.390	$0.400	$0.410	$0.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.370	$0.410	$0.410
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	General public
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with upcoming review in 2025

82.42.020 - Fuel previously taxed

Description

The aircraft fuel tax is collected and paid to the state only once for the same fuel. Sales of aircraft fuel on which the tax was previously paid are deductible from the total tax due.

Purpose

To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayer savings are unknown. The Department of Licensing's system does not capture the refund amounts in an accessible report. The agency plans on updating its system in the near future which will allow this reporting capability.

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Aviators
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2025

82.42.030(1,2) - Imported and exported fuel

Description

Aircraft fuel sold for export and exported from Washington and fuel imported into Washington intended for use in foreign or interstate commerce are exempt from the aircraft fuel tax.

Purpose

To encourage the sale of aircraft fuel in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$54.860	$53.210	$51.420	$49.810
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$48.780	$51.420	$49.810
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Fuel importers and exporters
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with upcoming review in 2025

82.42.030(3) - Aircraft fuel sold to the federal government

Description

Aircraft fuel sold to the federal government, including any agency thereof, is exempt from the aircraft fuel tax.

Purpose

To lower the cost of government.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$44.660	$43.310	$41.860	$40.540
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$39.700	$41.860	$40.540
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1971
Primary Beneficiaries:	Federal Government
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.42.030(4,5) - Commercial air operations

Description

The aircraft fuel tax does not apply to fuel used by commercial air carriers, supplemental carriers licensed under a certificate of public convenience, or a local service commuter if the fuel is delivered directly into the aircraft fuel tanks.

Purpose

To lower the cost of air carrier operations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$27.810	$26.980	$26.070	$25.250
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$24.730	$26.070	$25.250
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Commercial air carriers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.42.030(6) - Emergency air transportation

Description

Aircraft fuel sold to emergency medical air transport service providers is exempt from the aircraft fuel tax.

Purpose

Lowers the cost of providing emergency medical air transport services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.380	$19.770	$19.110	$18.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$18.120	$19.110	$18.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Medical air transport service providers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited report completed in 2021

82.42.030(7) - Fuel sold to licensed distributors

Description

Aircraft fuel sold to a licensed aircraft fuel distributor is exempt from the aircraft fuel tax.

Purpose

To avoid double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.013	$0.013	$0.013	$0.012
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. These taxes must be collected only once. Without this exemption, taxes would be collected and then refunded.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

These taxes must be collected only once; therefore, revenues would not increase.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Aircraft fuel distributors
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.42.030(8) - Fuel delivered into certified bulk storage tanks

Description

Aircraft fuel delivered into the bulk storage tank of a certified user is exempt from the aircraft fuel tax.

Purpose

To lower the cost of operations for commercial air carriers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$78.530	$76.170	$73.620	$71.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$69.830	$73.620	$71.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Certified users of aviation fuel
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2025

82.42.030(9,10) - Aircraft testing or crew training

Description

The aircraft fuel tax does not apply for fuel used in aircraft utilized for either:
- Testing or experimental purposes.
- Training crews for certified air carriers in Washington.

Purpose

To lower operating costs of developing new aircraft and for training crews of certified air carriers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Amounts for this exemption are included with the amounts for sales of aviation fuel used by commercial air carriers, RCW 82.42.030 (4,5).

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1967
Primary Beneficiaries:	Persons who train commercial pilots or use aircraft for testing or experimental purposes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.42.230(1) - Crop dusting

Description

A refund is available for aircraft fuel tax paid on fuel consumed in aircraft principally used for applying pesticides, herbicides, or other agricultural chemicals if the aircraft operates from a private, nonstate-funded airfield during at least 95% of the aircraft's regular use.

Purpose

To lower the aircraft fuel tax burden on certain agricultural activities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayer savings are unknown. The Department of Licensing's system does not capture the refund amounts in an accessible report. The agency plans on updating its system in the near future which will allow this reporting capability.

Data Sources

Department of Licensing, Fuel tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1982
Primary Beneficiaries:	Persons who use aircraft to apply pesticides, herbicides, or other agricultural chemicals
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited report completed in 2018.

Chapter 9
Hazardous Substance Tax

82.21.040(1) - Successive uses of hazardous substance

Description

Any successive possession of a previously taxed hazardous substance is exempt from the hazardous substance tax.

Purpose

To avoid double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$509.661	$661.906	$607.948	$751.935
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$606.748	$607.948	$751.935
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual refinery utilization and capacity for Washington is approximately 25% of the total capacity in the Pacific Region, and it will represent the taxable petroleum product volume.
- Non-volumetric products are 5% of volumetric revenue.
- Electric vehicle registration growth would proportionately decrease the gasoline volume consumption.
- The likelihood of successive taxation exposure is expressed in terms of multiplier(s) to the currently reported taxable amount, and it is based on the supply chain where businesses are involved.
- Refineries and other manufacturers, at the beginning of the supply chain, would be subject to a maximum successive taxation, with a multiplier of 1.5.
- Brokers and intermediaries, at the middle of the supply chain, would be subject to moderate successive taxation, with a multiplier of 1.
- At the end of the supply chain, most retailers would be subject to minimal successive taxation, with a multiplier of 0.3.

82.21.040(1) - Successive uses of hazardous substance

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast
- US Energy Information Administration
- Washington Research Council, The Economic Contribution of Washington State's Petroleum Refining Industry in 2021
- Transportation Revenue Forecast Council, November 2022 forecast

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Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Wholesalers, distributors, and retailers of hazardous substances
Taxpayer Count:	468
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming review in 2026

82.21.040(2) - Domestic uses of hazardous substance

Description

Possession of a hazardous substance by a natural person for personal or domestic purposes is exempt from the hazardous substance tax.

Purpose

To limit the tax to those using the hazardous substance for business purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.776	$0.789	$0.789	$0.789
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.687	$0.749	$0.749
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The total sales or deliveries to residential consumers of No.1 and No.2 of Distillate and Kerosene represent the minimum amount of hazardous substances exempt for domestic use.
- The growth rate for the domestic use of hazardous substances decreases by 2.5% annually into the future.
- Compliance is assumed to be as follows:
    - 95% revenue collections in fiscal year 2024 and thereafter.

Data Sources

- U.S. Energy Information Administration
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	Domestic users of hazardous substances
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2020

82.21.040(3) - Minimal amount of hazardous substance

Description

Possession of a minimal amount of a hazardous substance (as determined by the Department of Ecology) by a retailer to make sales to consumers is exempt from the hazardous substance tax. This exemption does not apply to pesticides or petroleum products.

Purpose

To avoid the administrative burden of collecting taxes on many taxpayers for minimal amounts. The administrative burden would be on the collecting agency and businesses that would have to report small amounts of tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.026	$0.028	$0.029	$0.030
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.013	$0.017	$0.021
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the value-based hazardous substance tax revenue reflected in the department's March 2023 non-general fund forecast, which uses the consumer price index reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A "minimal" amount of hazardous substance is an amount with a wholesale value of less than $1,000 possessed during any calendar month.
- Approximately 20% of retail businesses in border counties have out-of-state suppliers that have not already paid hazardous substance tax.
- Compliance is assumed to be as follows:
  - 50% revenue collections in Fiscal Year 2025,
  - 60% revenue collections in Fiscal Year 2026,
  - 70% revenue collections in Fiscal Year 2027
  - 80% revenue collections in Fiscal Year 2028 and beyond.

82.21.040(3) - Minimal amount of hazardous substance

Data Sources

- Department of Revenue, Excise tax data
- Department of Revenue, March 2023 non-general forecast
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Small retailers whose primary business is not selling hazardous substances
Taxpayer Count:	2,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013

82.21.040(4) - Alumina and natural gas

Description

Any alumina or natural gas possession is exempt from the tax imposed on the privilege of possessing hazardous substances in Washington.

Purpose

To avoid taxation of alumina or natural gas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Natural gas is not defined as a hazardous substance. If repealed, natural gas would not be taxable.
- There is no aluminum smelter production in the state. We expect no aluminum smelter production during the forecasted period of this study.

Data Sources

- Recycling Today, March 17, 2023

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1989
Primary Beneficiaries:	Washington users of natural gas and alumina
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming review in 2026

82.21.040(5) - Agricultural crop protection products

Description

Pesticide products solely used by farmers or certified applicators as an agricultural crop protection product warehoused in or transported to or from Washington are exempt from the hazardous substance tax provided the possessor of the pesticide products does not otherwise use, manufacture, package for sale, or sell the products in Washington.

This exemption expires on January 1, 2026.

Purpose

To incentivize the storage of certain agricultural crop protection products in Washington, where the products are used outside the state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.139	$0.139	$0.081	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.127	$0.081	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for agricultural crop protection products revenue mirrors Statista's U.S. pesticide and other agricultural chemicals industry revenue trend forecast.

Data Sources

- Department of Revenue, Excise tax data
- Statista, Pesticide and other agricultural chemicals industry revenue 2016-2024

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Wholesalers who import and re-export pesticides
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.21.040(6) - Constitutional or Federal prohibition on hazardous substance

Description

Persons or activities that the U.S. Constitution prohibits taxing are exempt from the hazardous substance tax.

Purpose

To prevent violating constitutional law.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenue impact. Collecting tax revenue would be unconstitutional.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.21.050(1) - Fuel exported in fuel tanks

Description

Hazardous substance tax previously paid on fuel carried from this state in the fuel tank of any airplane, ship, truck, or other vehicle is eligible for a credit against the hazardous substance tax.

Purpose

The credit avoids taxing fuel used outside of Washington. The purpose of the hazardous substance tax is to use its receipts to clean up hazardous substance sites within Washington, and fuel consumed primarily outside the state is unlikely to contribute to such sites.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.785	$23.157	$21.190	$26.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$21.227	$21.190	$26.343
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the nonresidential structures growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.21.050(2) - Taxes paid in other states

Description

A credit is allowed against the hazardous substance tax for any hazardous substance tax paid to another state for the same hazardous substance. The amount of the credit cannot exceed the hazardous substance tax liability for that substance.

Purpose

To avoid the possibility of double taxation of the same product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because federal law prohibits double taxation (of the same product) of businesses operating on an interstate basis.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenue impact. Credits taken for taxes paid in other states cannot be repealed.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Interstate commerce businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 10
Insurance Premiums Tax

48.14.020(1)(a) - Title insurance

Description

Title insurance companies are exempt from the 2.0% insurance premiums tax. They do, however, pay B&O tax under the 0.471% retailing classification and collect sales tax from their customers.

Purpose

To reflect the fact that title insurance is subject to sales tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.970	$8.110	$8.870	$9.840
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, shifting the activity to the insurance premiums tax would result in a net decrease in tax collections.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.440	$8.870	$9.840
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The activity will also be subject to B&O and sales taxes.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1947
Primary Beneficiaries:	Title insurance companies
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.020(1)(a); 48.14.021 - Pensions, annuities, profit-sharing plans

Description

Premiums received from policies or contracts issued in connection with a pension, annuity, or profit-sharing plan that is qualified under the Internal Revenue Code are exempt from insurance premiums tax. Most of the revenue impact is associated with annuities. Insurance companies receive little income related to pensions or profit-sharing plans.

Purpose

To support pensions, annuities, and profit-sharing plans.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$136.420	$141.970	$147.760	$153.780
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$130.139	$147.760	$153.780
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate reflects the compound annual growth rate of 4.1% based on insurance premium data.
- Most of the revenue impact is associated with annuities, and insurers have little income related to pensions or profit-sharing plans.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1963
Primary Beneficiaries:	Insurance companies with these products
Taxpayer Count:	190
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012, and expedited review completed in 2021

48.14.020(4) - Ocean marine insurance

Description

Ocean marine and foreign trade insurers receive a preferential insurance premiums tax rate of 0.95% and a deduction for losses. Other domestic and foreign insurers pay a 2.0% insurance premiums tax without deduction for losses.

Purpose

To support ocean marine commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.970	$3.180	$3.410	$3.660
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this insurance premiums tax preferential rate and deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.920	$3.410	$3.660
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate reflects the compound annual growth rate of 9.49% based on insurance premium data.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1947
Primary Beneficiaries:	Ocean marine and foreign trade insurers
Taxpayer Count:	79
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2021

48.14.0201(6)(a) - Medicare receipts

Description

Health maintenance organizations and health care service contractors are exempt from the insurance premiums tax on Medicare payments received from the federal government.

Purpose

Reduces the cost of providing health care for Medicare patients.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$22.180	$25.190	$28.600	$32.470
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues due to a federal preemption prohibiting state taxation of Medicare payments.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenue impact due to a federal preemption prohibiting state taxation of Medicare payments.

Data Sources

Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health maintenance organizations and health care service contractors that provide coverage for Medicare patients
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.0201(6)(b) - Washington Basic Health Care receipts

Description

As provided in RCW 74.09.035, medical care receipts and Basic Health Care premiums are exempt from the insurance premiums tax.

Purpose

To avoid taxing receipts from state sources.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently, no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The Basic Health Plan is no longer available. The marketplace exchange replaced it. No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Healthcare service contractors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.0201(6)(c) - Dentistry prepayments

Description

Health service contractors and health maintenance organizations are exempt from the insurance premiums tax for amounts received for dental coverage. However, this exemption does not apply to:

- Amounts received for pediatric oral services that qualify as coverage for the minimum essential coverage requirement.
- Stand-alone family dental plans when offered in the individual market or to a small group.

Purpose

To reduce the cost of providing dental coverage.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.436	$1.436	$1.436	$1.436
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.316	$1.436	$1.436
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical insurance premium data, the annual average of $574.3 million for dental premiums and prepayments is a constant.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Healthcare service contractors
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.0201(6)(d) - Participant contributions

Description

Participant contributions by employers participating in a self-funded multiple employer welfare arrangement (MEWA) preempted from state taxation via the Employee Retirement Income Security Act of 1974 (ERISA), as amended, 29 U.S.C. Sec 1001, would be exempt from Washington's insurance premiums tax. However, the U.S. Department of Labor has determined since 2005, via Advisory Opinion 2005-18A, that ERISA does not preempt Washington from assessing its premium tax on MEWAs.

This exemption was intended to apply if either the U.S. Department of Labor issued an advisory opinion or a federal court issued a declaratory ruling, finding that ERISA preempted specific categories of MEWAs from the state's premium tax solely due to the entity being a MEWA.

Purpose

To exempt participant contributions to MEWAs from premium tax if the U.S. Department of Labor or a federal court finds that ERISA preempts states from subjecting specific categories of MEWAs to state taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

- U.S. Department of Labor, Advisory Opinion 2005-18A
- Office of Insurance Commissioner, Insurance premiums tax data

48.14.0201(6)(d) - Participant contributions

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Small businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

48.14.022 - Health insurance by Washington State Pool

Description

Carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool under Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, carriers, healthcare service contractors, and HMOs may deduct assessments paid to the Washington State Health Insurance Pool from their taxable premiums. Any unused portion of the deduction can be carried forward and used in successive years until the deduction is exhausted.

Purpose

To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered high risk.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.418	$0.427	$0.435	$0.443
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, this could cause insurers to pass the amount of the assessment on to their regular policyholders and make health insurance more expensive for the general population.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.391	$0.435	$0.443
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate mirrors the growth rate of insurance premiums, as reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Washington State Health Insurance Pool, Annual reports
- Economic and Revenue Forecast Council, March 2023 forecast

48.14.022 - Health insurance by Washington State Pool

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Persons with coverage under the Health Insurance Coverage Access Act
Taxpayer Count:	880
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012, and an expedited review completed in 2021

48.32.145; 48.32A.125 - Insurance guarantee association assessments

Description

Property, casualty, life, and disability insurers may claim credit against their insurance premium tax for assessments made by the Washington Insurance Guarantee Association to pay covered claims of insolvent insurers. The credit may be taken over five years.

Purpose

To ensure that claims against insolvent insurance companies are paid and the cost does not burden policyholders of the surviving companies.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.042	$0.042	$0.042	$0.042
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.038	$0.042	$0.042
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 0.05% based on historical insurance credit data.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Insurance companies
Taxpayer Count:	800
Program Inconsistency:	The state does not typically become involved in the payment of debts of private firms
JLARC Review:	Expedited review completed in 2021

48.36A.240 - Fraternal benefit societies

Description

Fraternal benefit societies governed by Chapter 48.36A RCW are exempt from all state and local taxation other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

Purpose

To support the programs of fraternal benefit societies.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.893	$3.893	$3.893	$3.893
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.569	$3.893	$3.893
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical insurance premium data, the annual average of $194 million in premium income is a constant.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1947
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

Chapter 11
Leasehold Excise Tax

82.29A.020(1)(a) - Manufacturing for government

Description

"Leasehold interest" excludes interest in personal property owned by the U.S. or by a foreign government when the right to use such property is part of a contract to produce articles for sale to these governments.

Purpose

Minimizes the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Contractors with the federal and foreign governments
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming review scheduled in 2025

82.29A.020(1)(b)(i) - Easements for removing products

Description

"Leasehold interest" excludes road or utility easements, rights of access, occupancy, or use granted solely for the purpose of removing materials or products purchased from a public owner or lessee. The term also excludes rights of access, occupancy, or use granted solely for the purpose of natural energy resource exploration.

Purpose

To minimize costs to private businesses and individuals who use public lands for these purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.142	$0.144	$0.146	$0.149
Local Taxes	$0.125	$0.126	$0.128	$0.130

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.108	$0.146	$0.149
Local Taxes	$0.000	$0.095	$0.128	$0.130

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Any possible single, high-value easement granted during the scope of this estimate would pull these numbers higher.
- Fewer than 50 such easement rights are granted for product removal annually.

Data Sources

- Department of Natural Resources, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.29A.020(1)(b)(i) - Easements for removing products

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Utility companies and other businesses and individuals who must have long-term access across public lands or who use public roads on a temporary basis to remove timber, minerals, etc. that are purchased from public entities
Taxpayer Count:	Fewer than 50
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and 2023

82.29A.020(1)(b)(ii) - Publicly owned cargo cranes & docks

Description

"Leasehold interest" excludes the use of publicly owned cargo cranes and docks associated with the loading and unloading of cargo located at a port district marine facility.

Purpose

To minimize costs to private businesses and individuals who use port district lands for the loading and unloading of cargo in ocean commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.556	$6.621	$6.734	$6.581
Local Taxes	$5.751	$5.808	$5.907	$6.010

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.966	$6.734	$6.581
Local Taxes	$0.000	$4.356	$5.907	$6.010

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Port of Vancouver and Port of Everett rents are 50% of the averages of those in Seattle and Tacoma.
- Port of Olympia rents are 30% of the averages of those in Seattle and Tacoma.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2012
Primary Beneficiaries:	Private entities using publicly owned cargo cranes, docks, and associated areas
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.020(2)(b) - Hanford lease fees

Description

For purposes of determining leasehold tax, any Hanford reservation lands subleased to a private or public entity by the Department of Ecology, the term "taxable rent" includes only the annual cash rental payment and does not include fees, assessments, or other charges.

Purpose

To reduce the cost of such leases.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Health, Waste disposal data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Companies providing radioactive waste cleanup at Hanford
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2026

82.29A.120(1)(a)(i) - Senior and people with disabilities homeowners exemption OR credit for excessive leasehold tax

Description

A credit is allowed against leasehold excise tax for a property lease that would qualify a senior citizen and people with disabilities property tax exemption if the property were privately owned. The allowable credit is a proportionate amount of reduction that would result from the individual's property tax exemption.

Purpose

To provide tax relief to seniors and people with disabilities similar to the exemption allowed for property tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

No data is available to determine if this exemption is being utilized, therefore the impact is indeterminate but assumed minimal.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1986
Primary Beneficiaries:	Senior and disabled leaseholders
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012

82.29A.120(1)(a)(ii) - Product leases credit of 33%

Description

A credit is allowed against leasehold excise tax equal to 33% of the tax otherwise due on product leases, i.e., leases where the lessee pays the lessor a percentage of the value of the crop produced on the land.

Purpose

To support agriculture.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.159	$0.162	$0.165	$0.169
Local Taxes	$0.139	$0.142	$0.145	$0.148

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.122	$0.165	$0.169
Local Taxes	$0.000	$0.107	$0.145	$0.148

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1976
Primary Beneficiaries:	Farmers who produce crops or graze livestock on publicly owned land
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.29A.120(1)(b) - Leasehold interests in real property owned by state universities

Description

A credit is allowed against leasehold excise tax for real property owned by a state university equal to the amount of leasehold excise tax exceeds property tax that would apply if the property were privately owned. This credit is only available on properties valued more than $10 million as of January 1st of the year prior to the year the credit is claimed.

Purpose

To reduce the leasehold excise tax for lessees of state-owned university property when the leasehold excise tax exceeds the property tax if the property was otherwise owned by the lessee.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this credit may result in a minimal increase of revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Leaseholders of university properties
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.125 - Electric vehicle infrastructure

Description

All leasehold interests in public lands are exempt from state and local leasehold excise taxes if the purpose of the leasehold interest is to install, maintain, and operate electric vehicle infrastructure, which includes battery charging stations, rapid charging stations, battery exchange stations, fueling stations that provide hydrogen for fuel cell electric vehicles, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities. This exemption expires on July 1, 2025.

Purpose

To encourage the installation of electric and hydrogen vehicle infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Based on research, the annual rent for electric vehicle charging stations would be less than $250 per year. Leasehold interests with a taxable rent amount less than $250 see RCW 82.29A.130(9).

Data Sources

- U.S. Department of Energy, Alternative Fuels Data Center
- Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Owners of electric vehicle charging and hydrogen fueling facilities
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.29A.130(1) - Public utility properties

Description

All leasehold interests in operating properties of state assessed public utilities that are subject to property tax are exempt from leasehold excise tax.

Purpose

To avoid the value of certain properties being subject to both leasehold excise tax and property tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$15.948	$16.068	$16.317	$16.576
Local Taxes	$10.578	$10.592	$10.699	$10.808

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$12.051	$16.317	$16.576
Local Taxes	$0.000	$7.944	$10.699	$10.808

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic Forecast Council's March 2023 forecast.
- Estimates are net of state and local leasehold excise tax. The state leasehold excise tax rate is proportionately greater than the local rate compared with property tax rates. A shift of tax burden from the state to local jurisdictions would take place, if the exemption were eliminated.

Data Sources

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1974
Primary Beneficiaries:	State assessed public utility companies
Taxpayer Count:	44
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.130(2) - Facilities owned or used by schools, colleges, or universities providing housing to students

Description

All leasehold interests in facilities owned or used by schools, colleges, or universities who provide housing for students, and are otherwise exempt from property tax, are also exempt from leasehold excise tax.

Purpose

To support schools, colleges, and universities, and provide relief for housing their students.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$105.780	$106.820	$108.650	$110.530
Local Taxes	$92.790	$93.700	$95.300	$97.960

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$80.119	$108.650	$110.530
Local Taxes	$0.000	$70.280	$95.308	$96.963

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Student housing leasehold excise tax will mirror the statewide leasehold tax.

Data Sources

- National Multifamily Housing Council
- U.S. Census Bureau
- Economic and Revenue Forecast Council March 2023 forecast
- FinancesOnline.com, '47 Essential Student Housing Statistics You Must Learn

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Schools, colleges, or universities that provide housing to students
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.130(3) - Subsidized housing

Description

All leasehold interests of subsidized housing owned by the U.S. government, the state, or any political subdivision are exempt from leasehold excise tax if income qualifications for the housing exist.

Purpose

To support public housing for low-income individuals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$15.200	$16.400	$17.700	$19.100
Local Taxes	$13.300	$14.400	$15.500	$16.800

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$12.300	$17.700	$19.100
Local Taxes	$0.000	$10.800	$15.500	$16.800

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Annual increase in monthly rents will match observed increases from 2018 to 2022.
- The number of subsidized housing units will remain the same.

Data Sources

- U.S. Department of Housing and Urban Development

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Public housing authorities and the individuals who reside in subsidized housing
Taxpayer Count:	95,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.29A.130(5) - Public employee housing

Description

All leasehold interests used as the employee's residence, when the terms require public employees of their employment to live in a publicly owned property (e.g. at state parks), are exempt from leasehold excise tax.

Purpose

This exemption supports the legislative policy to not tax the government. Also, the tax would in essence reduce employee compensation or increase government costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.093	$0.094	$0.096	$0.098
Local Taxes	$0.082	$0.083	$0.084	$0.086

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.071	$0.096	$0.098
Local Taxes	$0.000	$0.062	$0.084	$0.086

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Market rents will grow similarly to market values.

Data Sources

- Washington State Parks, Leasehold data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Public employees who must live in government housing
Taxpayer Count:	179
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.29A.130(6-7) - Indian trust lands

Description

All leasehold interests in Indian lands by any Indian or Indian tribe for property held in trust by the U.S. are exempt from the leasehold excise tax. Leases by non-Indians are exempt when the contract rent paid is greater than or equal to 90% of fair market rental value.

Purpose

Federal law prohibits the taxation of trust lands of enrolled Indians.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.584	$2.610	$2.654	$2.701
Local Taxes	$2.267	$2.289	$2.328	$2.369

Repeal of exemption

State taxation of nontribal members is not prohibited but could lead to litigation.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.957	$2.654	$2.701
Local Taxes	$0.000	$1.717	$2.328	$2.369

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Market rents will grow similarly to market values.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Crexi.com, 'Seattle Commercial Real Estate Market'

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Indians and non-Indians with qualifying leases of Indian property
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.29A.130(8) - Leases less than $250 per year

Description

Leases of public property are exempt from leasehold tax if the total annual rent is less than $250.

Purpose

The $250 annual threshold supports small businesses and provides administrative convenience for lessees and lessors.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate in the Economic and Review Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Qualifying lessees
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review in 2023

82.29A.130(9) - Leases less than 30 days

Description

Leases of public property are exempt from leasehold tax if the lease period does not exceed 30 consecutive days in duration.

Purpose

The 30-day threshold can apply to both small and large lessees. It encourages short-term events, such as sporting events and trade shows, to take place in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.096	$2.116	$2.152	$2.190
Local Taxes	$1.838	$1.856	$1.888	$1.921

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.587	$2.152	$2.190
Local Taxes	$0.000	$1.392	$1.888	$1.921

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate in the Economic and Review Forecast Council's March 2023 forecast.
- Data used only includes revenue from state parks and fairs. Revenue from other sources using this exemption is unavailable, therefore this estimate may be understating revenues.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Agriculture, Fair funding applications

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Qualifying lessees
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.29A.130(10) - Homes pending destruction

Description

All leasehold interests in month-to-month leases in residential units rented for residential purposes pending destruction or removal to construct a public highway or building are exempt from leasehold tax.

Purpose

When a private residence is either condemned or purchased outright to make way for a public project, this exemption provides tax relief during the transition period.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

No data is available to determine if this exemption is being utilized, therefore the impact is indeterminate but assumed to be minimal.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Residents of homes awaiting destruction or removal
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.29A.130(11) - Public works contracts

Description

All leasehold interests of public works contractors while completing public works projects for the state or federal government are exempt from leasehold excise tax.

Purpose

To minimize the cost to government of public works construction projects.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption may possibly increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

No data is available to determine if this exemption is being utilized, therefore the impact is indeterminate but assumed to be minimal.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Government and contractors
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

82.29A.130(12) - Inmate employment programs

Description

All leasehold interests for businesses that use space in in-state adult correctional facilities in conjunction with comprehensive inmate work programs are exempt from leasehold excise tax.

Purpose

To promote inmate work programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Class 1 Department of Corrections (DOC) industries are unconstitutional, as ruled by the Washington State Supreme Court in 2004. There is no revenue impact.

Data Sources

Department of Corrections

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1992
Primary Beneficiaries:	Businesses using space in in-state adult correctional facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.29A.130(13) - Camps for people with disabilities

Description

All leasehold interests of nonprofit, social service organizations that provide organized and supervised recreational activities for people with disabilities of all ages in a camp facility and for public recreational purposes are exempt from leasehold tax.

Purpose

To support the activities of qualifying nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.019	$0.020	$0.020	$0.020
Local Taxes	$0.017	$0.017	$0.017	$0.018

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.015	$0.020	$0.020
Local Taxes	$0.000	$0.013	$0.017	$0.018

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate in the Economic and Review Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Various websites for camps for disabled persons

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Organizations that operate camps for people with disabilities on leased public property
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.29A.130(14) - Professional baseball stadium

Description

All leasehold interests in the public or entertainment areas of a professional baseball stadium located in a county with a population of over one million (e.g. King County) are exempt from the leasehold tax. The baseball stadium must have natural turf, a retractable roof or canopy, a seating capacity of at least 40,000, and constructed after January 1, 1995, to be eligible for the exemption. The exemption does not extend to nonpublic areas of the stadium such as locker rooms and private offices used exclusively by the lessee.

Purpose

To encourage constructing and operating a baseball stadium, e.g., T-Mobile Park in King County.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Ballpark.org, Ballpark lease information

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Professional baseball stadium
Taxpayer Count:	Fewer than three
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold excise tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and therefore leasehold tax does not apply.
JLARC Review:	Expedited review completed in 2022

82.29A.130(15) - Professional football stadium

Description

All leasehold interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer constructed after January 1, 1998, are exempt from leasehold excise tax. The exemption also applies to an exhibition center and associated work areas primarily servicing public or entertainment areas such as parking facilities adjacent to the stadium.

Purpose

To encourage construction and operation of a stadium, such as Lumen Field & Exhibition Center.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Public Stadium Authority

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Professional football and soccer stadium
Taxpayer Count:	Fewer than three
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold excise tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply.
JLARC Review:	Expedited review completed in 2022

82.29A.130(16) - Public facilities districts

Description

All leasehold interests in property owned by public facilities districts are exempt from leasehold excise tax. The exemption covers sports and entertainment venues, conference and convention centers, and special events facilities.

Purpose

To encourage the construction and utilization of these public facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.292	$0.295	$0.300	$0.305
Local Taxes	$0.256	$0.259	$0.263	$0.268

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.221	$0.300	$0.305
Local Taxes	$0.000	$0.194	$0.263	$0.268

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- No new facilities will utilize this exemption for the length of this estimate.

Data Sources

- Joint Legislative Audit and Review Committee, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Public facility districts and persons who lease these facilities
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015

82.29A.130(17) - Historic property

Description

All leasehold interests in property owned by a municipality or the federal government, listed on a federal or state historical register, and located within a designated national historic reserve are exempt from leasehold excise tax.

Purpose

To support the social benefits provided by publicly owned historical sites.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.242	$0.248	$0.254	$0.260
Local Taxes	$0.212	$0.217	$0.223	$0.228

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.186	$0.254	$0.260
Local Taxes	$0.000	$0.163	$0.223	$0.228

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Rental growth will mirror the growth of the Consumer Price Index over the last five years.

Data Sources

- National Parks Service
- The Historic Trust
- Census Bureau, Consumer Price Index

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2005
Primary Beneficiaries:	Lessees of historical property within national historic reserves
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.29A.130(18) - Clark County amphitheater

Description

All leasehold interests in the public or entertainment areas of a privately constructed, operated, and maintained amphitheater, where both the public owner and the private lessee regularly sponsor events, with a seating capacity of at least 17,000 and is in a county with a population over 350,000 and less than 425,000 at the time it opened are exempt from the leasehold excise tax. The exemption does not extend to private offices used predominately by the lessee.

Purpose

To encourage the construction, maintenance, and operation of an amphitheater in Clark County.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Clark County Assessor's Office

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Lessees of the Clark County amphitheater
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.29A.130(19) - Military housing

Description

All leasehold interests in certain military housing units and ancillary supporting facilities are exempt from property tax and leasehold excise tax. The housing must be located on land owned in fee by the federal government, be used for housing military personnel and their families, and be provided by a development project under the federal Military Housing Privatization Initiative of 1996.

Purpose

To support military housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption may possibly increase revenues. The department would have to bill individual renters for the leasehold tax. This could be difficult in the changing military environment.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

- This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

- Department of Revenue, Property tax data
- Office of the Secretary of Defense, Military housing data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2008
Primary Beneficiaries:	Companies that own military housing on federal land
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.29A.130(20) - Leasehold interest in facilities owned or used by community or technical colleges

Description

All leasehold interests in facilities owned or used by a community college or technical college to provide food services, operate a bookstore, or provide maintenance, operational, or administrative services are exempt from leasehold excise tax.

Purpose

To provide leasehold excise tax relief to private lessees who lease facilities from community or technical colleges (lessors) for certain purposes, and to relieve the lessors from the obligation to collect and remit such taxes from the lessees.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Leaseholders at community colleges
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.130(21) - Tacoma dome public area

Description

All leasehold interests in the public or entertainment areas of an arena are exempt from leasehold excise tax if the arena:

- Has a seating capacity of more than 2,000.
- Is located on city-owned land.
- Owned by a city with a population over 200,000 within a county with a population of less than 1.5 million.

Purpose

To promote public entertainment facilities and to bring certain arenas, such as the Tacoma Dome, in line with other public stadiums and arenas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2020
Primary Beneficiaries:	Tacoma Dome
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.130(22) - Facilities owned by state parks located at historical sites

Description

All leasehold interests in facilities owned by the state Parks and Recreation Commission and listed on the National Register of Historic Places or the Washington Heritage Register are exempt from leasehold excise tax.

Purpose

To preserve and protect historic facilities owned by state parks.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.050	$0.052	$0.053	$0.055
Local Taxes	$0.044	$0.045	$0.047	$0.048

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.039	$0.053	$0.055
Local Taxes	$0.000	$0.034	$0.047	$0.048

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- There were approximately 29 lease agreements subject to paying leasehold excise tax in 2022.
- An average of one lease agreement is added per year.

Data Sources

- Department of Revenue, Leasehold excise tax data
- Washington State Parks & Recreation

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2022
Primary Beneficiaries:	People who lease historical facilities owned by state parks
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.130(23) - Public or entertainment areas of an arena

Description

All leasehold interests in the public or entertainment areas of an arena located in a city with a population over 100,000 and located on city-owned land are exempt from the leasehold tax. The arena must have a seating capacity of at least 4,000 and the funds used for constructing improvements to the arena were 100% the responsibility of private entities and not reimbursed by the public owner. The exemption also extends to office areas of the arena used predominantly by the lessee.

Purpose

To encourage construction and operation of Climate Pledge Arena.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Leasehold interests in qualified public or entertainment areas
Taxpayer Count:	Fewer than three
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold excise tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply.
JLARC Review:	No review completed

82.29A.132 - Second Narrows bridge

Description

All leasehold interests in the state route 16 corridor transportation systems and facilities constructed and operated are exempt from leasehold excise tax. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

Purpose

This exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This statute exempted such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is contemplated.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. No public property is being leased at this time.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No lease of the facility is currently contemplated. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Lessees along SR 16 and Tacoma Narrows bridge
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.29A.134 - Regional Transit Authority Sales and Leasebacks

Description

All leasehold interests in property owned by a Regional Transit Authority (RTA) are exempt from leasehold excise tax if they are in connection with a sale and leaseback arrangement.

Purpose

A sale and leaseback arrangement is a financing mechanism used to facilitate the acquisition of personal property by an RTA.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The Regional Transit Authority is not using the sale and leaseback arrangement due to changes in Internal Revenue Service policy.

Data Sources

Regional Transit Authority

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2000
Primary Beneficiaries:	Sound Transit and investors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.29A.135 - Anaerobic digesters

Description

All leasehold interests in buildings, machinery, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from leasehold taxes for a period of six years from the date on which the facility or the addition to the existing facility becomes operational. Applicants may not file a claim for this exemption after December 31, 2024.

Purpose

To encourage the production of renewable natural gas in Washington by stimulating investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, because it is not being used.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No facilities currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Leasehold excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2018
Primary Beneficiaries:	Leaseholder of qualifying anaerobic digesters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.29A.136 - Residential and recreational developments

Description

All leasehold interests comprised of 3,000 or more residential and recreational lots that are, or may be, subleased for residential or recreational purposes, are exempt from leasehold excise tax and subject instead to property taxes.

Purpose

To treat certain residential and recreational lots in a similar manner as other housing property. Lessees also avoid a processing fee, and the properties are governed by the various limits on property tax levies.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues for the leasehold tax. However, property taxes currently paid would decrease, which could shift the state and local property taxes to other taxpayers in the form of higher levy rates.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Leasehold tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2001
Primary Beneficiaries:	Lessees of lots at Lake Cushman which are owned by the City of Tacoma
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

82.29A.137 - Super-efficient airplane production facilities

Description

Leasehold interests held by a manufacturer of a super-efficient airplane in property of a port district are exempt from leasehold excise tax. This exemption expires July 1, 2040.

Purpose

Encourages the production of super-efficient airplanes in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No known manufacturers of super-efficient airplanes are located on port property, and none are expected during the forecasted period of this study.

Data Sources

Department of Revenue, Annul tax performance report data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of super-efficient planes on port property
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019 with an upcoming review in 2024

82.29A.138 - Amateur radio repeaters

Description

Owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property are exempt from leasehold excise tax. These facilities must be available to public agencies that are qualified responders for use in emergency communications.

Purpose

To increase the availability of emergency communication equipment used by public agencies in the event of an emergency.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.014	$0.015	$0.016	$0.018
Local Taxes	$0.012	$0.013	$0.014	$0.016

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.011	$0.016	$0.018
Local Taxes	$0.000	$0.010	$0.014	$0.016

Assumptions

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors past growth rate of rental collections.

Data Sources

- Department of Natural Resources, Leasehold data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Amateur radio operators and amateur radio clubs
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

Chapter 12
Liquor Tax

66.20.010(7) - Sales of liquor to the military

Description

Liquor sales by the Liquor Cannabis Board to authorized representatives of military installations are exempt from liquor sales taxes.

Purpose

This exemption covered sales of liquor made by state-operated stores. Currently, there is no purpose for this exemption. The military now purchases liquor outside the state and does not collect or remit state liquor taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The military purchases liquor outside the state without collecting or remitting state liquor taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If repealed, there is no revenue impact. The military purchases liquor outside the state without collecting or remitting state liquor taxes.

Data Sources

Liquor and Cannabis Board

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1933
Primary Beneficiaries:	Military installations and personnel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

66.24.290(3)(b) - Microbrewers beer tax exemption

Description

Microbreweries are exempt from the $4.78 per barrel portion of the beer excise tax on the first 60,000 barrels produced yearly.

Purpose

To mitigate the impact of a general tax increase in 1993 on a growing local industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.395	$5.449	$5.504	$5.559
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.000	$5.504	$5.559
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The revenue impact grows by 1% a year.

Data Sources

- Liquor and Cannabis Board, Beer sales to importers and distributors

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Microbreweries
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014, and a full review completed in 2020

Chapter 13
Litter Tax

82.19.050(1) - Products shipped out of state

Description

Products manufactured or sold in Washington for use or consumption outside Washington are exempt from the litter tax.

Purpose

Recognizes the litter tax is typically associated with products used or consumed in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.135	$0.140	$0.145	$0.150
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.129	$0.145	$0.150
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1992
Primary Beneficiaries:	Businesses that pay litter tax
Taxpayer Count:	2,740
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014

82.19.050(2) - Agricultural products

Description

Farmers selling agricultural products at wholesale or to other farmers that grow, raise, or produce agricultural products owned by others are exempt from the litter tax.

Purpose

Recognizes food products sold by farmers at wholesale and to certain other farmers are not generally associated with significant amounts of litter.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.351	$1.356	$1.361	$1.366
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.243	$1.361	$1.366
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is the average historical growth rate calculated using the U.S. Department of Agriculture 2016-2023 farm income financial indicators.

Data Sources

- Department of Revenue, Excise tax data
- U.S. Department of Agriculture, Washington agriculture and farm data

Additional Information

Additional Information	
Category:	Agricultural
Year Enacted:	1971
Primary Beneficiaries:	Farmers
Taxpayer Count:	35,200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.19.050(3) - Grocery cooperatives

Description

Sales of products for resale by a qualified grocery distribution cooperative to members are exempt from litter tax.

Purpose

To reflect title to the goods remains with the cooperative, and an actual sale does not occur.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The total impact of this exemption is less than $1,000. We expect the impact to remain minimal during the forecasted period of this study.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Qualified grocery cooperatives
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.19.050(4) - Food and beverages consumed on-site

Description	Food and drink sales for consumption on the seller's premises or at an adjacent eating area (e.g., a food court at a shopping mall) are exempt from litter tax.
Purpose	Recognizes that food and drinks consumed on the seller's premises generally do not contribute to the litter problem.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.272	$1.318	$1.363	$1.408
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.208	$1.363	$1.408
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2003
Primary Beneficiaries:	Restaurants and other eating or drinking establishments
Taxpayer Count:	10,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.19.050(5) - Caterers

Description

Gross income from the sale of catered food and beverages provided in non-single-use containers and served for immediate consumption on the premises occupied or controlled by the customer is exempt from litter tax.

Purpose

Relieves caterers from the litter tax on certain prepared food and beverage sales.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.272	$1.318	$1.363	$1.408
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.208	$1.363	$1.408
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate is 10%, which is a 10-year average that reflects industry trends.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Food service and catering businesses
Taxpayer Count:	730
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

Chapter 14
Oil Spill Tax

82.23B.030 - Secondary transportation

Description	Successive receipt or transportation of crude oil or petroleum products is exempt from the oil spill tax after the initial receipt of the same products at a marine or bulk terminal from a vessel or barge, rail tank car, or pipeline.
Purpose	This exemption restricts the tax to the initial off-loading of crude oil or petroleum products in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues due to the likelihood the successive receipt or transportation scenario would not occur.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

For this exemption to be applicable, oil would have to be off-loaded in Washington from a vessel, rail tank car, or pipeline, then reloaded onto another vessel, rail tank car, or pipeline, before being off-loaded a second time in the state. It is assumed this scenario does not happen.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1991
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23B.040 - Exported petroleum products

Description

Taxpayers may claim a credit against oil spill tax paid on crude oil or petroleum products subsequently exported or sold for export from the state.

Purpose

Allows the tax to apply only to products consumed within the state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.721	$4.721	$4.721	$4.721
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.328	$4.721	$4.721
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the zero growth rate reflected in the Department of Revenue's March 2023 Non-General Fund forecast for oil spill tax collections.

Data Sources

- Department of Revenue, Excise tax data
- Department of Revenue, March 2023 Non-General Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1991
Primary Beneficiaries:	Exporters of crude oil or petroleum products that were off-loaded in this state
Taxpayer Count:	10
Program Inconsistency:	Since crude oil or petroleum that is shipped through the state for export is no less likely to spill than similar products that remain in the state, this credit could be considered as being inconsistent with the oil spill prevention and response program
JLARC Review:	No review completed

82.23B.045 - Nonfuel uses of crude oil petroleum products

Description

Taxpayers may claim a credit against oil spill tax paid on crude oil or petroleum products (1) not used as fuel or (2) used as a component or ingredient in a manufacturing process.

Purpose

Ensures the tax applies only to crude oil or petroleum used as fuel.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1991
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2017

Chapter 15
Pari-mutuel Tax

67.16.105(1) - Nonprofit horse races

Description

Nonprofit horse race events lasting no longer than 10 days annually are exempt from the pari-mutuel tax.

Purpose

To support nonprofit horse race events and help revive the horse racing industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Horse Racing Commission, Annual reports

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1976
Primary Beneficiaries:	Operators of nonprofit horse race events
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and 2022

67.16.105(2) - Differential parimutuel tax rates

Description

The pari-mutuel tax on gross receipts of betting machines at licensed horse races features two tax rates depending on the total wagering receipts at the particular track for the previous year:

- If receipts were greater than $50 million, the tax rate is 1.3%.
- If receipts were $50 million or less, the tax rate is 1.803%.

Purpose

The higher 1.803% pari-mutuel rate category for smaller racetracks is attributable to a proposed new track in 2002. The anticipated revenues at the existing 1.3% rate did not generate sufficient funds to cover the state's cost of supervision, therefore, the higher tax rate was added to the statute. This track was never constructed, and currently, the only racetrack in operation pays the original 1.3% rate.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this differential pari-mutuel rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This differential pari-mutuel rate impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Washington Horse Racing Commission, Annual reports

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Horse-racing tracks
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

Chapter 16
Petroleum Products Tax

82.23A.010(1) - Crude oil excluded

Description

The definition of petroleum products includes a variety of products derived from refining crude oil but excludes crude oil itself and liquefiable gases. This definition expires on July 1, 2030.

Purpose

To avoid taxing crude oil and liquefiable gases.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$37.070	$51.360	$13.030	$53.930
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$47.080	$13.030	$53.930
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Refineries, other importers of crude oil
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012

82.23A.010(1) - Liquefied gasses excluded

Description

The definition of taxable petroleum products excludes liquefied or liquefiable gasses such as propane and butane. This definition expires on July 1, 2030.

Purpose

This exclusion assumes fuel in a gaseous state imposes much less environmental risk.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.203	$0.290	$0.303	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.266	$0.303	$0.081
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Washington's liquefied petroleum gas consumption is estimated to grow by 3% annually.
- The average price of liquefied petroleum gas is equivalent to the average estimated propane price.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Importers or producers of liquified petroleum gas
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.23A.030(1) - Successive uses of petroleum

Description

Successive possession of previously taxed petroleum products is exempt from the tax. This exemption expires on July 1, 2030.

Purpose

Ensure the tax applies only to the first use of petroleum products within the state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$45.070	$45.540	$11.550	$47.820
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$41.750	$11.550	$47.820
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.
- The likelihood of successive taxation exposure is expressed in terms of multiplier(s) to the currently reported taxable amount, and it is based on the supply chain where businesses are involved.
- Refineries and other manufacturers, at the beginning of the supply chain, would be subject to a maximum successive taxation, with a multiplier of 1.75.
- Brokers and intermediaries, at the middle of the supply chain, would be subject to moderate successive taxation, with a multiplier of 1.
- Most retailers, at the end of the supply chain, would be subject to a minimal successive taxation, with a multiplier of 0.5.

Data Sources

- Department of Revenue, Excise tax data
- Department of Revenue, Non-General Forecast
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Wholesalers, distributors, and retailers of petroleum products
Taxpayer Count:	140
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.030(2) - Domestic uses of petroleum

Description

Petroleum used by persons (not businesses) for personal or domestic purposes is exempt from petroleum products tax. This exemption expires on July 1, 2030.

Purpose

Ensure the tax applies only to businesses that import or produce petroleum in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.100	$0.100	$0.020	$0.090
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.090	$0.020	$0.090
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- This represents the minimum amount of petroleum products exempt from petroleum products tax due to domestic use.
- The growth rate for the domestic use of petroleum products decreases by 2% annually into the future.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	Non-business users of petroleum products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.030(3) - Constitutional or Federal prohibition on petroleum

Description

The petroleum products tax does not apply to persons or activities that the state cannot tax under the U.S. Constitution.

Purpose

To prevent violating constitutional law.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues are realized if the state law is repealed. These sales are constitutionally exempt at the federal level.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1989
Primary Beneficiaries:	The federal government and Indian tribes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.23A.030(4) - Petroleum used prior to 7/1/89

Description

Possession of petroleum before the effective date of tax (7/1/1989) is exempt. This exemption expires on July 1, 2030.

Purpose

This prevents the tax from applying to petroleum, on which the owners did not anticipate having to pay tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No petroleum products obtained before July 1, 1989, remain in inventory in Washington.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 with an upcoming review in 2025

82.23A.030(5) - Fuel used to process petroleum products

Description

Natural gas, petroleum coke, liquid fuel, and fuel gas used in processing petroleum products are exempt from petroleum products tax. The exemption expires on July 1, 2030.

Purpose

Excludes fuels consumed in processing and restricts the tax to products sold at retail.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.690	$0.690	$0.172	$0.690
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.632	$0.172	$0.690
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration
- Washington State Department of Commerce, Carbon Tax Assessment Model, WA Energy Forecast 2019

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.030(6) - Exported petroleum products

Description	Petroleum products exported for use outside of Washington are exempt from tax. This exemption expires on July 1, 2030.
Purpose	Restricts application of the petroleum products tax to products used in this state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$15.243	$17.601	$4.465	$18.480
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.134	$4.465	$18.480
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The price change of crude oil over time is a proxy for the price change of various other petroleum-based products.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum exporters
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.030(7) - Packaged petroleum products

Description

Petroleum products packaged for sale to ultimate consumers are exempt from the petroleum products tax. This exemption expires on July 1, 2030.

Purpose

The tax aims to generate funds to provide adequate insurance and funding for programs to clean up discharges from leaking underground petroleum storage tanks. Presumably, packaged products do not have the potential to cause pollution.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The revenue impact from the repeal of the exemption on packaged petroleum products is thought to be minimal.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Importers of packaged petroleum products
Taxpayer Count:	Minimal
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2017

82.23A.040(1) - Petroleum exported in fuel tanks

Description

A credit may be claimed against the petroleum products tax for fuel exported from the state in the fuel tank of any vehicle, including airplanes, ships, or trucks. This credit expires on July 1, 2030.

Purpose

To tax the first use of the products in Washington which have the potential to cause environmental damage. This credit presumes the environmental risk reduces significantly after depositing the fuel in the vehicle fuel tank.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.830	$0.840	$0.210	$0.880
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.770	$0.210	$0.880
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Petroleum refiners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012

82.23A.040(2) - Taxes paid in other states

Description

Taxpayers may claim a credit against the petroleum products tax for any similar tax paid upon the same product in other states. To qualify for the credit, such tax (1) must be imposed upon the wholesale value of the petroleum products and not constitute an income or value-added tax, and (2) must be a tax specifically directed at petroleum products rather than a general tax. This credit expires on July 1, 2030.

Purpose

To ensure tax is applied only once to the same product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- Other western states that likely export petroleum products to Washington do not have taxes imposed on the wholesale value of petroleum products.

Data Sources

- Multiple state tax commissions and state departments of revenue

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1989
Primary Beneficiaries:	Importers of products from jurisdictions with similar taxes on petroleum products
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 17
Property Tax

Property taxation

Washington taxes all property unless the law specifically exempts the property. County treasurers collect property taxes for all taxing districts on a calendar year basis. Property taxes include:

- State property taxes, which help fund public schools.
- Local property taxes, which fund services and programs provided by counties, cities, and various districts, such as fire, school, and library.

The assessed value of real and personal property is public information. Estimates relying only on public information will show an impact even if fewer than three taxpayers are using an exemption. However, the department cannot release confidential income data and personal property asset lists. Estimates using confidential income data or asset lists with fewer than three taxpayers are confidential and will have a “CTI” for the impact.

Maximum tax rates

The law sets maximum tax rates for state and local property taxes, but usually, the taxing district’s budget creates limitations on total property taxes. For this reason, Washington’s property tax system is a budget-based property tax system for both state and local property taxes. Under a budget-based system, a property tax exemption shifts the tax to other property owners.

County assessors spread property taxes across the taxable property in the district based on the total value of taxable property in the district. This establishes the taxing district’s property tax rate. However, taxing districts overlap, so the law also limits an area's total property tax rate. The assessor decreases rates in a specific order based on the total rate for a given area.

Tax shifts

Exempting property from taxes results in a tax shift because the total property value in a district decreases by the value of the exempted property. This causes the property tax rate to increase when the assessor spreads the taxes across the remaining taxable property in a district. While the exempt taxpayer now pays no property taxes, the taxes shift to other taxpayers who pay more due to the increase in the rate. However, when the rate increases, it can hit the district's maximum allowable rate or the area's maximum allowable property tax rate. This results in a tax loss to the taxing districts because the rate cannot increase beyond the rate limitations.

When the Legislature repeals a property tax exemption, the total taxable property value increases, causing the property tax rate to decrease. This shifts taxes back to the exempt property owner, causing other taxpayers to pay less. If rate limitations reduced the rate prior to the removal of the exemption, repealing the property tax exemption may increase taxing district revenues.

Taxpayer Savings

Taxpayer savings, as shown in this report, represent the amount a taxpayer receiving an exemption saves by being exempt from the tax. Under a budget-based system, these taxes shift to other taxpayers; therefore, the taxpayer savings do not equal the revenue gain from a repeal of the exemption.

Assumptions

The property tax exemptions analyzed in this report use the following assumptions unless otherwise noted:

- The Economic and Revenue Forecast Council forecasts state property taxes to remain below the maximum tax rate. So, a repeal of a property tax exemption shifts state property taxes to exempt property owners and results in no potential revenue gain.

- Analyses of local property taxes show that with a repeal of a property tax exemption, 90% of local taxes would shift to exempt property owners, and 10% of local taxes would increase revenues for local taxing districts.

- Unless otherwise stated, the total value exempted grows at the same rate as the statewide market value as forecasted by the Economic and Revenue Forecast Council in the March 2023 forecast.

- Based on five years of state property tax collections, 52.36% occur in April, and 47.64% occur in October. When converting from calendar year to fiscal year, estimates assume taxpayer savings and potential revenue gains follow this trend.

- For local potential revenue gains, the Legislature repeals the property tax exemption beginning with property taxes due for calendar year 2025, so the estimated local potential revenue gains for fiscal year 2025 include only the increase in April 2025 collections.

35.21.755 - Public corporations

Description

Public corporations, commissions, and authorities must pay an in-lieu excise tax equal to what the property tax would be if a private owner owned the property.

Certain properties are exempt from this in-lieu tax including property:
- Located in a special review district established prior to January 1, 1976.
- Listed on a federal or state register of historical sites.
- Used primarily for low-income housing, as a convention center, performing arts center, public assembly hall, public meeting place, public esplanade, street, public way, public open space, park, public utility corridor, or public view corridor.
- Considered blighted property acquired by a public corporation for remediation purposes.
- Used for transit purposes by a regional transit authority.

Certain historical properties are exempt from leasehold excise taxes.

Purpose

Supports social benefits provided by community resources and encourages owners to retain historical property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The law no longer requires county assessors to assess government owned property; therefore, these estimates are indeterminate.

Data Sources

Survey of county assessor offices

35.21.755 - Public corporations

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1974
Primary Beneficiaries:	Public Housing Authorities, Preservation and Development Authorities, Meydenbauer Convention Center in Bellevue, Thea Foss Esplanade in Tacoma, and the Regional Transit Authority
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.48.110 - General aviation

Description	Provides a property tax exemption for general aviation aircraft when aircraft excise tax is paid.
Purpose	To eliminate double taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.931	$4.026	$4.123	$4.223
Local Taxes	$11.627	$12.278	$12.967	$13.696

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.360	$0.705	$0.740

Assumptions

- The total estimated exempt value is $1.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $4.3 million in state property taxes to exempt property owners and shifts an estimated $12.3 million in local property taxes in fiscal year 2026.

Data Sources

- Department of Transportation, Aircraft registration data
- Yahoo Finance, Aviation Year-Over-Year Value Increases Cooling Off
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1949
Primary Beneficiaries:	Owners of general aviation aircraft registered with the Department of Transportation
Taxpayer Count:	7,395
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2019

84.14.020 - Multi-unit urban housing

Description

Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures located in targeted residential areas contained within an urban center or urban growth area are exempt from property tax for up to 8, 12, or 20 years, depending on qualifications. Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act. Or, until December 31, 2026, in any city where certain minimum building density requirements are met.

For properties that received and satisfied the conditions of an 8- or 12-year exemption may qualify for an extension for an additional 12 years, following the initial exemption period.

The value of the land and any improvements constructed prior to the submission of the exemption application are not exempt.

At the conclusion of the exemption period, the value of the new housing construction, conversion, or rehabilitation improvements must be considered as new construction as though the property was not exempt under this chapter.

Purpose

Encourages the development of multiple-unit housing including creating additional affordable housing, encouraging urban development and density, increasing market rate workforce housing, developing permanently affordable housing opportunities, promoting economic investment and recovery, and creating family-wage jobs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$33.759	$34.573	$35.406	$36.271
Local Taxes	$99.865	$105.454	$111.367	$117.623

Repeal of exemption

Under a budget-based system, repealing a property tax exemption would normally not increase revenue. The repeal would just shift the property tax to the currently exempt taxpayers. However, portions of the currently exempt value were never added to the property tax roll. If this exemption was repealed, the value not yet added to the property tax roll would be added as new construction thereby increasing revenue. Any exempt value already added to the property tax roll would result in a shift of property taxes to the property owners currently receiving this exemption.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$3.090	$6.055	$6.356

Assumptions

- Total estimated exempt value is $15.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $36.6 million in state property taxes to exempt property owners and shifts an estimated $105.3 million in local property taxes in fiscal year 2026.
- Assessors would add a portion of the currently exempt property to the tax roll as new construction, adding to the levy capacity for both state and local property tax levies. The amount of value added to the tax roll is unknown and therefore the revenue gains are indeterminate and excluded from these estimates.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	The owners of qualifying multi-unit residential structures
Taxpayer Count:	1,300
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2019

84.14.021 - Multi-family housing in urban area

Description

Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures may be exempt from property tax for 20 years. For the property to qualify for the exemption, at least 25% of the units must be sold to a qualified nonprofit or local government partner that will assure permanent affordable homeownership. The remaining 75% of units may be rented or sold at market rates. The property must also be located in a targeted residential area contained within an urban growth centers Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act. Or, until December 31, 2026, in any city where certain minimum building density requirements are met.

The value of the land and any improvements constructed prior to the submission of the exemption application are not exempt.

At the conclusion of the exemption period, the value of the new housing construction, conversion, or rehabilitation improvements must be considered as new construction as though the property was not exempt under this chapter.

Purpose

Encourages the development of multiple-unit housing including creating additional affordable housing, encouraging urban development and density, increasing market rate workforce housing, developing permanently affordable housing opportunities, promoting economic investment and recovery, and creating family-wage jobs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Under a budget-based system, repealing a property tax exemption would normally not increase revenue. The repeal would just shift the property tax to the currently exempt taxpayers. However, portions of the currently exempt value were never added to the property tax roll. If this exemption was repealed, the value not yet added to the property tax roll would be added as new construction thereby increasing revenue. Any exempt value already added to the property tax roll would result in a shift of property taxes to the property owners currently receiving this exemption.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

84.14.021 - Multi-family housing in urban area

Assumptions

- There are no known properties receiving this exemption.
- No one completes a project and applies for this exemption during the period of this study.

Data Sources

- Survey of county assessor offices

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	The owners of qualifying multi-unit residential structures
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.25.040 - Targeted urban industrial or manufacturing new construction

Description

The new construction value of qualifying industrial or manufacturing facilities is exempt from certain levies. This exemption does not apply to the state property tax levy. It only applies to county property taxes with the approval of the governing body of that county. The exemption is valid for 10 years and no new application may be made after December 31, 2030.

At the conclusion of the exemption period, the new industrial/manufacturing facilities cost must be considered as new construction for the purposes of levy calculations.

Purpose

To promote new manufacturing and industrial uses on undeveloped or underutilized lands zoned for industrial and manufacturing uses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.066	$0.067	$0.067	$0.068

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.067	$0.067	$0.068

Assumptions

- Total estimated exempt value is $12.0 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This exemption does not apply to state property taxes.
- No additional properties will use this exemption during the forecasted period.
- Since these improvements were never added to the tax roll, if the exemption were repealed it will result in a revenue gain for local districts.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.25.040 - Targeted urban industrial or manufacturing new construction

Additional Information

Additional Information	
Category:	Industrial
Year Enacted:	2015
Primary Beneficiaries:	Businesses building industrial or manufacturing facilities
Taxpayer Count:	1
Program Inconsistency:	None known
JLARC Review:	Full review completed in 2021

84.26.070 - Historic property rehabilitation

Description

Eligible historic property may receive a special valuation upon approval of the owner's application. The property may have a 10-year special valuation by subtracting rehabilitation costs that exceed 25% of historic property from the assessed value.

A historic property is also eligible for two seven-year extensions of the special valuation if located in a county that is listed as a distressed area and in a city with less than 20,000 in population, and if the property continues to meet the special valuation criteria.

Purpose

Encourages the renovation of historic buildings while preserving their architectural and cultural value.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.530	$2.557	$2.583	$2.611
Local Taxes	$7.485	$7.798	$8.125	$8.466

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.227	$0.442	$0.457

Assumptions

- The total estimated exempt value is $1.2 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.7 million in state property taxes to exempt property owners and shifts an estimated $7.7 million in local property taxes in fiscal year 2026.

Data Sources

- Joint Legislative Audit and Review Committee
- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.26.070 - Historic property rehabilitation

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1985
Primary Beneficiaries:	Owners of historic property who rehabilitate the structure
Taxpayer Count:	400
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

84.33.040 - Timber

Description

Timber is exempt from property tax.

Purpose

Simplifying the taxation of timber.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.690	$2.755	$2.821	$2.890
Local Taxes	$7.958	$8.403	$8.874	$9.374

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.246	$0.483	$0.507

Assumptions

- The total estimated exempt value is $1.2 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the timber excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.9 million in state property taxes to exempt property owners and shifts an estimated $8.4 million in local property taxes in fiscal year 2026.

Data Sources

- Department of Revenue, Timber excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1971
Primary Beneficiaries:	Owners of timber and those with contracts to harvest timber
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2023

84.33.140 - Forest land, statutory values

Description

This law provides a statutory formula to calculate the taxable value for forest lands as bare timber land without considering the highest and best use of the land or the standing timber.

Purpose

Encourages the retention of private land in timber production and provides uniformity in the valuation of forest land.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.667	$11.788	$11.911	$12.037
Local Taxes	$34.509	$35.952	$37.461	$39.029

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$1.047	$2.037	$2.109

Assumptions

- The total estimated exempt value is $5.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $12.3 million in state property taxes to exempt property owners and shifts an estimated $35.4 million in local property taxes in fiscal year 2026.

Data Sources

- Department of Revenue, Property tax data
- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.33.140 - Forest land, statutory values

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	Owners of designated forest land
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.33.140(13,14) - Forest land compensating tax

Description

When removing forest land from the designated forest land program, landowners must pay a compensating tax due to the lower land valuations associated with this program. This statute waives the compensating tax for removing forest land in the following situations:

- Transferring the land to a government entity in exchange for other forest land in Washington.
- Taking the land through eminent domain or threat of eminent domain.
- Donating the title, development rights, or right to harvest to a government agency or organization.
- Selling or transferring the land to a government entity or nonprofit nature conservancy for conservation purposes, such as state natural area preserve purposes.
- Transferring the land to the parks and recreation commission.
- Official action by a Washington state agency or the county or city in which the land is located that disallows the present use of the land,
- Creating or transferring a forestry riparian easement.
- Creating or transferring a conservation easement of private forest lands within a migration zone or containing critical habitat for threatened or endangered species.
- Transferring the land within two years of the death of the owner of at least 50% interest in the land and if the land was classified continuously since 1993.
- Discovering that the land designation is in error through no fault of the owner.

This statute also waives the compensating tax for removing forest land from the designated forest land program in a county with a population of more than 600,000 or in a county with a population of at least 245,000 that borders Puget Sound if the land transfers to a government entity or nonprofit historic preservation or nature conservancy organization. The organization must use the land to protect or enhance public resources, or preserve, maintain, improve, restore, limit the future use of, or otherwise conserve for public use or enjoyment.

Purpose

Encourages land transfers for conservation purposes and avoids penalizing owners for events that occur outside of their control under certain circumstances.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.254	$0.266	$0.287	$0.306
Local Taxes	$0.648	$0.680	$0.735	$0.782

Repeal of exemption

Normally a repeal of a property tax exemption results in a shift of property taxes. However, this is a repeal of a compensating tax exemption, which results in a revenue gain for both state and local taxes.

84.33.140(13,14) - Forest land compensating tax

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.127	$0.287	$0.306
Local Taxes	$0.000	$0.324	$0.735	$0.782

Assumptions

- The total estimated exempt value is $9.7 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption does not shift state or local taxes.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1971
Primary Beneficiaries:	Owners of property that has been removed from the designated forest land classification
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2023

84.33.140(15) - Designated forest land removal due to natural disaster

Description

The compensating tax authorized in this section may not be imposed on land removed from designation as forestland solely as a result of a natural disaster such as a flood, windstorm, earthquake, wildfire, or other such calamity rather than by virtue of the act of the landowner changing the use of the property.

Purpose

Provides economic relief to property owners when their real property has been removed from designation as forestland due to a natural disaster.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Normally a repeal of a property tax exemption results in a shift of property taxes. However, this is a repeal of a compensating tax exemption, which results in a revenue gain for both state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Of the counties responding to our survey, none reported use of this exemption. Taxpayers may use this exemption in the future, but the impact to state revenue is likely minimal and the impact to local revenue would depend on the size of the disaster.

Data Sources

Survey of county assessor offices

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2017
Primary Beneficiaries:	Forest property owners suffering a natural disaster
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.33.210(1) - Forest land special assessments

Description

Special benefit assessments do not apply to designated forest lands. This exemption applies to assessments by local improvement districts that may include forest land, as well as special benefit assessments for projects such as sewer systems, domestic water supply and road improvements. Neither local jurisdictions nor improvement districts are obligated to provide these services to the exempt forest land. However, the landowner may waive the exemption, pay the assessment, and receive the services.

Purpose

To exclude designated forest land from special benefit assessments. To reduce the obligation of local jurisdictions and improvement districts to provide services to exempt forest land.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase local revenues. Improvement districts levy only at the local level, so there would be no revenue change to the state.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

Of the counties responding to our survey, none reported use of this exemption. Any impacts to local revenue are likely minimal.

Data Sources

Survey of county assessor offices

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1992
Primary Beneficiaries:	Owners of designated forest land
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

84.34.020(2) - Qualifying land used for growing plants in containers

Description

In 2014, the definition of "farm and agricultural land" expanded the current use program to include qualifying land used for horticultural purposes to allow the growing of plants in containers.

Purpose

Supports plant nurseries that are increasingly growing plants in containers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. A repeal may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Qualifying land used for growing plants in containers is defined as farm and agricultural land, which is assessed at its current use value. This impact is part of the impact of assigning current use value to farm and agricultural land.

Data Sources

Department of Revenue, Property tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1973
Primary Beneficiaries:	Owners of qualifying nurseries that grow plants primarily in containers.
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.34.060 - Open space land, current use

Description

Open space land and timber land in the current use program are valued based only on the use of the property and does not include potential uses of the property. Open space land in the current use program is valued using either a public benefit rating system (PBRS) no lower than the lowest per acre value of farm and agricultural land in the county if a PBRS does not exist. Timber land in the current use program is valued in the same way as designated forest land, using land grades and operability classes.

Purpose

Encourages the owners of open space and timber lands to keep the property in its natural state by valuing the land as it is currently being used rather than its highest and best use.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.503	$5.586	$5.672	$5.760
Local Taxes	$16.289	$17.076	$17.905	$18.776

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.493	$0.958	$0.992

Assumptions

- The total estimated exempt value is $2.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $5.9 million and a local levy shift of an estimated $17 million in fiscal year 2026.

Data Sources

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1970
Primary Beneficiaries:	Owners of open space and timberlands
Taxpayer Count:	Unknown
Program Inconsistency:	Land preservation could be considered inconsistent with economic development and urban renewal programs
JLARC Review:	No review completed

84.34.065 - Farm lands, current use

Description

Productive capacity determines the taxable value of farm and agricultural land in the current use program. Productive capacity is defined as the net cash rental capitalized at a rate of interest charged on a farm mortgage plus a component for property taxes. While market value based on highest and best use determines the taxable value of most other property, farm and agricultural land has a reduced taxable value in Washington.

The current use value of the land where the farm owner or employees reside is based on the prior year's average value of farm and agricultural land in the current use program for the county plus the value of land improvements that serve the residence.

Purpose

Encourages owners of farm and agricultural land to continue using the land for agricultural purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$47.014	$48.148	$49.309	$50.513
Local Taxes	$139.077	$146.860	$155.095	$163.808

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$4.304	$8.433	$8.851

Assumptions

- The total estimated exempt value is $21.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $51.0 million in state property taxes to exempt property owners and shifts an estimated $146.7 million in local property taxes in fiscal year 2026.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1973
Primary Beneficiaries:	Owners of farm and agricultural lands
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.34.108(6) - Open space land classification removal - additional tax, interest, and penalty

Description

Landowners pay additional tax when removing land from the current use program to reimburse the county for past taxes lost due to the low land value associated with the program. This statute waives the additional tax for removing land from current use in the following situations:

- Transferring to a government entity in exchange for other land in Washington.
- Taking the land through eminent domain.
- Natural disaster- flood, windstorm, earthquake, wildfire, or other such calamity- changing the use of the property.
- Official action by a Washington agency or the county or city in which the land is located that disallows the present use of the land.
- Transferring to a church.
- Transferring to a government agency or organization in order to conserve the land for future use.
- Removing land classified as farm and agricultural land that houses farm employees or the principal residence of the farmer.
- Removing land if a new statute qualifies it for exemption.
- Creating or transferring a forestry riparian easement.
- Creating or transferring a conservation easement of private forest lands within a migration zone or containing critical habitat for threatened or endangered species.
- Selling the land within two years of the death of the owner if the land was classified as timber land continuously since 1993.
- Discovering that the land designation is in error through no fault of the owner.

Purpose

Avoids penalizing landowners in the current use program for a change in use under certain circumstances, with the exception of an error through no fault of the owner, change in uses compatible with the purpose of the current use program, or where the property becomes fully exempt upon transfer to a church or upon qualifying under a new exemption.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.723	$0.782	$0.833	$0.880
Local Taxes	$3.472	$3.758	$4.004	$4.227

Repeal of exemption

Normally a repeal of a property tax exemption results in a shift of property taxes. However, this is a repeal of a compensating tax exemption, which results in a revenue gain for both state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$3.758	$4.004	$4.227

84.34.108(6) - Open space land classification removal - additional tax, interest, and penalty

Assumptions

- The total estimated exempt value is $39.8 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1973
Primary Beneficiaries:	Owners of open space lands sold under certain circumstances
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011

84.36.010(1) - Second Narrows bridge

Description

A property tax exemption is provided for state route 16 corridor transportation systems and facilities constructed.

Purpose

This exemption is intended to exempt any private property used in conjunction with construction and operation of the second Narrows bridge in Pierce County which will span Puget Sound. When adopted, the exemption was predicated upon the assumption that the bridge would be built with private funding until construction was complete and subsequently deeded to the state. This exemption was therefore intended to lower the overall cost of the project to enhance the likelihood of private investors funding the cost of construction.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this property tax exemption would not increase revenues. There is no private property in use on the second Narrows Bridge Project at this time.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There is no private property in use on the second Narrows Bridge. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Property tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

84.36.010(1) - Cities and towns

Description

Real and personal property owned by municipalities is exempt from property taxation.

Purpose

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$173.860	$175.670	$177.504	$179.374
Local Taxes	$514.258	$535.764	$558.261	$581.629

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$15.604	$30.355	$31.430

Assumptions

- The total estimated exempt value is $80.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $183.6 million and a local levy shift of an estimated $527.9 million in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.
- The value of city and town government facilities per general employee is the same as the State of Washington facility value per general employee.
- Of county and municipal timber and forest land, 95% is owned by the county and 5% by cities and towns.

Data Sources

- U.S. Forest Service, Forest inventory by state
- Employment Security Department, Covered employment
- Department of Transportation, Annual mileage and travel information
- Office of the State Auditor, Local Government Financial Reporting System, Total financial summary
- Office of Financial Management, Comprehensive annual financial report
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- County Assessor, Abstract data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Cities and towns
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Community centers, nonprofits

Description

Property tax does not apply, for 40 years, to surplus property and buildings of a school district acquired by a nonprofit organization that uses the property as a community center.

Purpose

Supports the social benefits these nonprofit organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.105	$0.108	$0.110	$0.113
Local Taxes	$0.311	$0.328	$0.347	$0.366

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.009	$0.019	$0.020

Assumptions

- The total estimated exempt value is $48.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $115,000 in state property taxes to exempt property owners and shifts an estimated $330,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2007
Primary Beneficiaries:	Nonprofit community centers
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - County government

Description

Real and personal property owned by county government is exempt from property taxation.

Purpose

Property of a county government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$198.147	$200.210	$202.300	$204.431
Local Taxes	$586.097	$610.606	$636.245	$662.878

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$17.784	$34.596	$35.820

Assumptions

- The total estimated exempt value is $91.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption results in a state levy shift of an estimated $209.2 million and a local levy shift of an estimated $601.7 million in fiscal year 2026.
- If this exemption is repealed the state constitution will also be amended.
- The value of county government facilities per general employee is the same as the state's facility value per general employee.
- Dirt roads make up a large share of county road miles, so the value of county roads per mile is half the value of state-owned roads per mile.
- Of county and municipal timber and forest land, 95% is owned by the county and 5% by cities and towns.

84.36.010(1) - County government

Data Sources

- U.S. Forest Service, Forest inventory by state
- Employment Security Department, Covered employment
- Department of Transportation, Annual mileage and travel information
- Office of the State Auditor, Local Government Financial Reporting System, Total financial summary
- Office of Financial Management, Comprehensive annual financial report
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- County Assessor, Abstract data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Counties
Taxpayer Count:	39
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Federal government

Description

Real and personal property owned by the federal government is exempt from property taxation.

Purpose

Property of the federal government is exempt under the Washington Constitution, except to the extent that Congress specifically allows such taxation, which it has rarely done. The federal government does make certain payments in lieu of property taxes, e.g., for federal forest lands.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$138.444	$139.885	$141.345	$142.834
Local Taxes	$409.501	$426.625	$444.539	$463.147

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Total estimated exempt value is $63.3 billion.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.
- The value of federal government facilities per federal general employee is the same as the Washington facility value per Washington general employee.

Data Sources

- U.S. Forest Service, Forest inventory by state
- Employment Security Department, Covered employment
- Department of Transportation, Other public and lane road miles
- Office of Financial Management, Comprehensive annual financial report
- U.S. Department of Defense, Base structure report
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- County Assessor, Abstract data

84.36.010(1) - Federal government

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1854
Primary Beneficiaries:	The U.S. government and its agencies and instrumentalities
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Fire districts

Description

Real and personal property owned by fire districts is exempt from property taxation.

Purpose

Property of municipal corporations, such as fire districts, is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.789	$0.808	$0.828	$0.848
Local Taxes	$1.024	$1.035	$1.044	$1.051

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.214	$0.419	$0.440

Assumptions

- The total estimated exempt value is $1.17 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.4 million in state property taxes to exempt property owners and shifts an estimated $625,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Fire district valuation data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1933
Primary Beneficiaries:	Fire protection districts
Taxpayer Count:	348
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Foreign consulates

Description

Property owned by a foreign national government, or an international commission is exempt from property taxation. To qualify, the property must serve exclusively as an office or residence for a consul or official representative of that nation and the consul or representative must be a citizen of that nation.

Purpose

Follows the principle of reciprocity, whereby a foreign nation will not tax the property of a U.S. consulate if it is used and maintained by U.S. nationals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.075	$0.076	$0.077	$0.078
Local Taxes	$0.223	$0.232	$0.242	$0.252

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Total estimated exempt value is $34.4 million.
- Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Foreign governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Port districts

Description

Real and personal property owned by port districts is exempt from property taxation.

Purpose

Property of a municipal corporation, such as a port district, is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$34.066	$34.420	$34.780	$35.146
Local Taxes	$100.762	$104.976	$109.384	$113.962

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$3.057	$5.948	$6.159

Assumptions

- The total estimated exempt value is $15.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $36.0 million in state property taxes to exempt property owners and shifts an estimated $103.4 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.
- The relationship between revenue and expenditures to property value of Tacoma and Seattle ports are similar for all other Washington ports.

84.36.010(1) - Port districts

Data Sources

- Washington Public Ports Association
- Port of Seattle, Comprehensive annual financial report
- Port of Tacoma, Annual financial report
- Office of the State Auditor, Local Government Financial Reporting System, Total financial summary
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1911
Primary Beneficiaries:	Public port districts
Taxpayer Count:	81
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Public colleges & universities

Description

Real and personal property owned by public colleges and universities is exempt from property taxation. In addition, property leased to an institution of higher education by a nonprofit foundation established for the exclusive support of the institution is exempt.

Purpose

Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$55.704	$56.284	$56.872	$57.471
Local Taxes	$164.766	$171.657	$178.864	$186.352

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$4.999	$9.726	$10.070

Assumptions

- Total estimated exempt value is $25.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $58.9 million in state property taxes to exempt property owners and shifts an estimated $169.1 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.
- The estimated assessed value is the estimated land value plus the book building value plus the book equipment value.

Data Sources

- National Center for Education Statistics - Integrated Postsecondary Education Data System
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Colleges and universities
Taxpayer Count:	42
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Public K-12 schools

Description

Real and personal property owned by school districts is exempt from property taxation.

Purpose

Property of school districts is exempt under the Washington Constitution. This reflects a longstanding legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$240.265	$242.766	$245.301	$247.885
Local Taxes	$710.675	$740.395	$771.485	$803.778

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$21.563	$41.950	$43.434

Assumptions

- Total estimate exempt value is 109.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $253.6 million in state property taxes to exempt property owners and shifts an estimated $729.5 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.

Data Sources

- Office of Superintendent of Public Instruction, Information and conditions of schools
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	Approximately 2,100 campuses of the 295 public school districts
Taxpayer Count:	295
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Public utility districts

Description

Real and personal property owned by public utility districts, which are municipal corporations, is exempt from property taxation. However, public utility districts must pay a privilege tax in lieu of property tax based on the electricity they generate and distribute or based on the water and/or sewer services they provide.

Purpose

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$37.982	$38.377	$38.778	$39.187
Local Taxes	$112.346	$117.044	$121.959	$127.065

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$3.409	$6.631	$6.866

Assumptions

- Total estimated exempt value is $17.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $40.2 million in state property taxes to exempt property owners and shifts an estimated $115.3 million in local property taxes in fiscal year 2026.
- Assume utility plant value per gallon is the same for both water & sewer.
- If this exemption is repealed the Constitution will be amended.

Data Sources

- Washington Public Utility Districts Association, 2022 Sourcebook
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.010(1) - Public utility districts

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1931
Primary Beneficiaries:	Nonprofit utilities that provide electricity, water, wastewater services, and wholesale telecommunications
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - State government

Description

Real and personal property owned by the state is exempt from property taxation.

Purpose

Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$106.569	$107.678	$108.803	$109.949
Local Taxes	$315.219	$328.401	$342.191	$356.514

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$9.565	$18.607	$19.265

Assumptions

- Total estimated exempt value is $49.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $112.6 million in state property taxes to exempt property owners and shifts an estimated $323.6 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- Office of Financial Management, Comprehensive annual financial report

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1889
Primary Beneficiaries:	The state of Washington
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.010(1) - Tribal property - Essential government services

Description

Property belonging to any federally recognized Indian tribe is exempt from property tax if the property is used exclusively for essential government services including economic development services.

Purpose

This statute is directed toward tribal owned property which is located off the tribe's reservation. The purpose is to treat all tribes alike and to treat all property used for government services in the same manner. The governmental facilities of most tribes are sited on tribal lands which are exempt from property tax, just as the land owned by local governments is exempt. However, at least one tribe has little land held in trust and must therefore purchase non-tribal land for governmental facilities. Also, as "economic development" is recognized as an essential government service for purposes of qualifying tribally owned property for property tax exempt status and it is defined as including commercial activities, tribes that operate facilities located off the reservation must negotiate and make a payment in lieu of leasehold excise tax (PILT) and other operators of these properties are subject to leasehold excise tax (LET).

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.251	$2.579	$2.956	$3.388
Local Taxes	$6.664	$7.875	$9.307	$10.998

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.243	$0.506	$0.594

Assumptions

- Total estimated exempt value is $975 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $3.0 million in state property taxes to exempt property owners and shifts an estimated $8.8 million in local property taxes in fiscal year 2026.
- Market value of properties receiving this exemption mirror the past value growth of other real property.
- Market value of properties receiving this exemption will mirror the forecasted growth rate going forward.
- Additional properties will receive the exemption in the future at the same rate as the past.

Data Sources

- Department of Revenue, Exempt property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2004
Primary Beneficiaries:	Indian tribes whose governmental services utilize facilities on non-tribal land
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016

84.36.010(1); 84.36.040(2) - Hospital districts

Description

Real and personal property owned by public hospital districts is exempt from property taxation. Additionally, property leased to and used by a hospital district or to Harborview Medical Center for hospital purposes, is eligible for the exemption so long as the benefit of the exemption transfers to the hospital.

Purpose

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.922	$4.017	$4.114	$4.214
Local Taxes	$11.602	$12.252	$12.938	$13.666

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.359	$0.704	$0.739

Assumptions

- The total estimated exempt value is $1.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $4.3 million in state property taxes to exempt property owners and shifts an estimated $12.2 million in local property taxes in fiscal year 2026.

Data Sources

- Washington Department of Health, Hospital financial data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1945
Primary Beneficiaries:	Hospitals operated by public hospital districts or hospitals owned by a county
Taxpayer Count:	41
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.015 - Low value parcels

Description

Each parcel of real property and each personal property account that individually has an assessed value of less than $500 is exempt from property tax.

Purpose

Avoids the administrative expense of listing, valuing, and collecting property tax on very small accounts.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.102	$0.104	$0.107	$0.109
Local Taxes	$0.300	$0.317	$0.336	$0.355

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.009	$0.019	$0.020

Assumptions

- The total estimated exempt value is $14.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $34,000 in state property taxes to exempt property owners and shifts an estimated $98,000 in local property taxes in fiscal year 2026.
- The average personal property account value is $400.
- Only 25% of the businesses under $500 are reported to the county.
- Assessed value of exempt property will remain constant.

Data Sources

- County Assessor, Abstract data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1997
Primary Beneficiaries:	Small property owners
Taxpayer Count:	Approximately 41,000 small property owners
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014

84.36.020 - Cemeteries

Description

Land, buildings and personal property required for the administration and maintenance of public burying grounds or cemeteries are exempt from property tax. The exemption requires that such entities do not discriminate on the basis of race, color, national origin or ancestry.

Purpose

Supports the social benefits provided by burying grounds and cemeteries.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.508	$0.520	$0.533	$0.546
Local Taxes	$1.503	$1.587	$1.676	$1.770

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.047	$0.091	$0.096

Assumptions

- The total estimated exempt value is $234 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $550,000 in state property taxes to exempt property owners and shifts an estimated $1.6 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	404 parcels owned by cemeteries
Taxpayer Count:	142
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

84.36.020 - Nonprofit churches, parsonages, and convents

Description

Property tax does not apply to churches and grounds not exceeding five acres. This includes parsonages and convents of nonprofit recognized religious denominations, and buildings and personal property required for administration and maintenance of a church.

The property may be used for prescribed and limited instances of pecuniary or non-exempt purposes, including use as a farmers market for up to 53 days per year. Rental income from non-exempt activities must be applied to capital improvements, maintenance and operation expenses, or exempt purposes.

Purpose

Recognizing the social benefits of religious organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$13.461	$13.786	$14.118	$14.463
Local Taxes	$39.821	$42.049	$44.407	$46.901

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$1.232	$2.414	$2.534

Assumptions

- The total estimated exempt value is $6.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $15.2 million in state property taxes to exempt property owners and shifts an estimated $43.7 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2004
Primary Beneficiaries:	6637 parcels owned by churches
Taxpayer Count:	2,818
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2007 and an expedited review completed in 2023

84.36.030(1)(a,c) - Nonsectarian organizations

Description

Property used for character-building, benevolent, protective, or rehabilitative social service owned by nonreligious, nonprofit organizations is exempt from property tax.

Purpose

Supporting the social programs provided by these nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.300	$6.452	$6.607	$6.769
Local Taxes	$18.636	$19.679	$20.782	$21.949

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.576	$1.130	$1.186

Assumptions

- The total estimated exempt value is $2.9 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $6.8 million in state property taxes to exempt property owners and shifts an estimated $19.7 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.030(1)(a,c) - Nonsectarian organizations

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1915
Primary Beneficiaries:	1,714 parcels owned by nonprofit nonsectarian organizations
Taxpayer Count:	363
Program Inconsistency:	None Evident
JLARC Review:	Full review completed in 2007 with an expedited review in 2024

84.36.030(1)(b) - Nonprofit merchandise sales

Description

Selling donated merchandise on exempt property does not nullify the property tax exemption for character-building, benevolent, protective, or rehabilitative social services owned by nonreligious, nonprofit organizations if they use the proceeds to continue the mission of their organization.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.378	$0.387	$0.396	$0.406
Local Taxes	$1.117	$1.180	$1.246	$1.316

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.035	$0.068	$0.071

Assumptions

- The total estimated exempt value is $174 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $400,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.030(1)(b) - Nonprofit merchandise sales

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	106 parcels owned by nonprofit thrift shops
Taxpayer Count:	46
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.030(2) - Nonprofit church camps

Description

Camp facilities up to 200 acres, and owned by nonprofit churches, groups of churches, or an association of churches are exempt from property tax.

Purpose

Supports the programs provided by church-owned camps.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.638	$0.653	$0.669	$0.685
Local Taxes	$1.886	$1.992	$2.104	$2.222

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.059	$0.115	$0.120

Assumptions

- The total estimated exempt value is $293.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $690,000 in state property taxes to exempt property owners and shifts an estimated $2 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1971
Primary Beneficiaries:	395 parcels owned by church camps
Taxpayer Count:	61
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011

84.36.030(3) - Nonprofit youth organizations

Description	Property owned by nonprofit, character-building organizations serving boys and girls under the age of 18 is exempt from property tax. The exemption extends to organizations with existing charters that serve youth up to the age of 21.
Purpose	Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.772	$0.791	$0.810	$0.830
Local Taxes	$2.284	$2.412	$2.547	$2.690

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.071	$0.139	$0.146

Assumptions

- The total estimated exempt value is $355 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $840,000 in state property taxes to exempt property owners and shifts an estimated $2.4 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1933
Primary Beneficiaries:	252 parcels owned by nonprofit youth organizations
Taxpayer Count:	58
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007

84.36.030(4) - Veterans organizations

Description

Property owned by veterans' organizations or societies that are recognized as such by the Department of Defense and have national chapters can qualify for a property tax exemption.

Purpose

Supports patriotism and the activities of veteran's organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.130	$0.133	$0.137	$0.140
Local Taxes	$0.385	$0.407	$0.430	$0.454

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.012	$0.024	$0.025

Assumptions

- The total estimated exempt value is $60 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $140,000 in state property taxes to exempt property owners and shifts an estimated $400,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1929
Primary Beneficiaries:	155 parcels owned by veterans' organizations.
Taxpayer Count:	91
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 and 2020

84.36.030(5) - Federal instrumentalities furnishing aid and relief

Description

A property tax exemption exists for corporations created by Congress that provide the following:

- Volunteer aid to the armed forces.
- A system of national and international disaster relief.

Purpose

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

- This exemption impacts fewer than three taxpayers; any impacts are confidential.
- Constitutional case law makes federal instrumentalities immune from state and local taxes.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1945
Primary Beneficiaries:	Federal instrumentalities furnishing aid and relief
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.030(6) - Student loan organizations

Description

Property owned by nonprofit organizations, exempt from federal income tax, that guarantee federal student loans or issue debt to provide student loans is exempt from property tax.

Purpose

Supporting the benefits these organizations provide to college students.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Repealing this exemption results in no levy shifts.

Data Sources

- County Assessor, Property tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	Nonprofit student loan organizations
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2019

84.36.031(2) - Nonprofit character building leases

Description

Property tax does not apply to property owned by churches and nonprofit character-building organizations that lease out or rent the property to another nonprofit, character-building organization.

Property tax also doesn't apply to property owned by an organization formed exclusively to lease the property to a nonprofit, character-building organization. The property has to have been exempt from property tax under the previous owner and the organization leasing the land gets the benefit of the exemption.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.031	$0.032	$0.033	$0.034
Local Taxes	$0.093	$0.098	$0.103	$0.108

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.003	$0.006	$0.006

Assumptions

- The total estimated exempt value is $14.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $34,000 in state property taxes to exempt property owners and shifts an estimated $97,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.031(2) - Nonprofit character building leases

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2012
Primary Beneficiaries:	3 parcels leased by community service organizations
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.032 - Church administrative offices

Description

Property tax does not apply to real and personal property of the administrative offices of nonprofit recognized religious organizations. The real and personal property must be used in the administration of the religious programs of the organization and other programs exempt under property used for churches or character building to qualify for the property tax exemption.

Purpose

Supports nonprofit religious organizations by providing a reduction in property tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.138	$0.141	$0.145	$0.148
Local Taxes	$0.409	$0.431	$0.455	$0.481

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.013	$0.025	$0.026

Assumptions

- The total estimated exempt value is $63.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $150,000 in state property taxes to exempt property owners and shifts an estimated $430,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.032 - Church administrative offices

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1975
Primary Beneficiaries:	34 parcels owned by religious organizations
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 with an upcoming review in 2024

84.36.035 - Nonprofit blood and tissue banks

Description

Real and personal property owned or leased by nonprofit organizations and used for blood banks, tissue banks, or blood and tissue banks is exempt from property tax.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.180	$0.184	$0.189	$0.193
Local Taxes	$0.532	$0.562	$0.593	$0.627

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.016	$0.032	$0.034

Assumptions

- The total estimated exempt value is $82.8 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $195,000 in state property taxes to exempt property owners and shifts an estimated $560,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.035 - Nonprofit blood and tissue banks

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1971
Primary Beneficiaries:	20 parcels owned by blood and tissue banks
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2021

84.36.037 - Nonprofit public assembly halls and meeting places

Description

Property tax does not apply to real or personal property owned by a nonprofit public assembly hall or meeting place. The property must be used exclusively for public gatherings and must be available to everyone. A public assembly hall may be exempt up to one acre. Property that is mostly unimproved and used for annual community celebrations may be eligible for an exemption up to 29 acres.

The property may be used for prescribed and limited instances of pecuniary or non-exempt purposes, including use as a farmers market for up to 53 days per year. Organizations providing dance lessons, art classes, or music lessons may also use the property if the property is in a county with a population of less than 20,000. Rents from non-exempt activities must be applied to capital improvements or maintenance and operation expenses or applied to exempt purposes of the nonprofit when used as a farmers market.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.185	$0.190	$0.195	$0.199
Local Taxes	$0.549	$0.579	$0.611	$0.646

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.017	$0.033	$0.035

Assumptions

- The total estimated exempt value is $85.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $580,000 in local property taxes in fiscal year 2026.

84.36.037 - Nonprofit public assembly halls and meeting places

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	249 parcels owned by nonprofit public assembly halls
Taxpayer Count:	172
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 with an upcoming review in 2024

84.36.040(1)(a) - Nonprofit day care centers

Description	Nonprofit child day care centers are exempt from property taxes on real and personal property.
Purpose	Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.763	$1.806	$1.849	$1.894
Local Taxes	$5.216	$5.508	$5.817	$6.143

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.161	$0.316	$0.332

Assumptions

- The total estimated exempt value is $811 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $1.9 million in state property taxes to exempt property owners and shifts an estimated $5.5 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1973
Primary Beneficiaries:	198 parcels owned by nonprofit daycare centers
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2019

84.36.040(1)(b) - Nonprofit libraries

Description

Nonprofit free public libraries are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits that nonprofit public libraries provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.038	$0.038	$0.039	$0.040
Local Taxes	$0.111	$0.117	$0.124	$0.131

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.004	$0.007	$0.007

Assumptions

- The total estimated exempt value is $17.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $40,000 in state property taxes to exempt property owners and shifts an estimated $120,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.040(1)(b) - Nonprofit libraries

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1854
Primary Beneficiaries:	14 parcels owned by nonprofit organizations operating libraries
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 with an upcoming review in 2024

84.36.040(1)(c) - Nonprofit orphanages

Description

Nonprofit orphanages are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Repealing this exemption results in no state levy shifts.

Data Sources

- County Assessor, Property tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1891
Primary Beneficiaries:	Nonprofit orphanages
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 with an upcoming review in 2026

84.36.040(1)(d) - Nonprofit homes for the sick or infirm

Description

Nonprofit nursing homes are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits these organizations provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.175	$3.252	$3.330	$3.412
Local Taxes	$9.393	$9.919	$10.475	$11.063

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.291	$0.570	$0.598

Assumptions

- The total estimated exempt value is $1.46 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $3.4 million in state property taxes to exempt property owners and shifts an estimated $9.9 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1891
Primary Beneficiaries:	384 parcels owned by homes for the sick or infirm
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 and 2021

84.36.040(1)(e) - Nonprofit hospitals

Description

Nonprofit hospitals are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits that nonprofit hospitals provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$37.691	$38.600	$39.530	$40.496
Local Taxes	$111.497	$117.736	$124.337	$131.323

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$3.451	$6.761	$7.097

Assumptions

- The total estimated exempt value is $17.3 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $41 million in state property taxes to exempt property owners and shifts an estimated $118 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1886
Primary Beneficiaries:	793 parcels owned by nonprofit hospitals
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2007 and 2022

84.36.040(1)(f) - Nonprofit outpatient dialysis facilities

Description

Nonprofit outpatient dialysis treatment facilities are exempt from property taxes on real and personal property.

Purpose

Supporting the social benefits that outpatient dialysis facilities provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.182	$0.186	$0.190	$0.195
Local Taxes	$0.537	$0.567	$0.598	$0.632

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.017	$0.033	$0.034

Assumptions

- The total estimated exempt value is $83.6 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $570,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1987
Primary Beneficiaries:	32 parcels owned by outpatient dialysis centers
Taxpayer Count:	2
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and full review completed in 2021

84.36.041 - Nonprofit homes for the aging

Description

Real and personal property owned or leased by a nonprofit home for the aging is exempt if one of the following met:

- Residents occupy at least 50% of the dwellings.
- The federal department of housing and urban development program subsidizes the home.
- The home for the aging is financed in part by tax exempt bonds.

Property taxes do not apply if home financing is 75% tax exempt bonds and the financing requires a certain percentage of dwellings for low-income residents. The exemption lasts as long as the bonds or the requirement for low-income resident dwellings, whichever is shorter. A partial exemption applies if the home fails to qualify in its entirety. A partial exemption applies for areas jointly used by a home for the aging and a nonprofit organization that is also exempt from property taxes.

Purpose

Providing equal treatment of senior citizens who own their own homes and qualify for the senior citizen property tax exemption and those residing in homes for the aging.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.658	$7.842	$8.031	$8.227
Local Taxes	$22.653	$23.921	$25.262	$26.681

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.701	$1.374	$1.442

Assumptions

- The total estimated exempt value is $3.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $8.3 million in state property taxes to exempt property owners and shifts an estimated $23.9 million in local property taxes in fiscal year 2026.

84.36.041 - Nonprofit homes for the aging

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1989
Primary Beneficiaries:	449 parcels owned by retirement homes
Taxpayer Count:	85
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2026

84.36.042 - Nonprofit developmentally disabled housing

Description

Property tax does not apply to the real and personal property owned or leased by a nonprofit organization and used to provide housing and a level of care for persons with developmental disabilities.

Purpose

Supporting the social benefits provided by these organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.175	$0.179	$0.183	$0.188
Local Taxes	$0.517	$0.546	$0.577	$0.609

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.016	$0.032	$0.033

Assumptions

- The total estimated exempt value is $80 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $190,000 in state property taxes to exempt property owners and shifts an estimated $550,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.042 - Nonprofit developmentally disabled housing

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	157
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2026

84.36.043 - Nonprofit homeless shelters

Description

Property taxes do not apply to real and personal property used by a nonprofit organization providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless for personal safety reasons. An approved registered recovery residence does not require a limited length-of-stay policy. In addition, the home must:

- Register as a recovery residence with the Washington Health Care Authority.
- Involve peers in the governance of the recovery residence.
- Integrate recovery support into the daily activities.
- Maintain an environment that is home-like, promotes healthy recovery, and is free from alcohol and illicit drugs.
- Not charge more for the housing than the actual cost of operating and maintaining the housing.
- Ensure the property tax exemption benefits the nonprofit organization when the nonprofit organization is leasing the property.

Purpose

Supporting the social services provided by these organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.970	$0.994	$1.018	$1.043
Local Taxes	$2.871	$3.031	$3.202	$3.381

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.089	$0.174	$0.183

Assumptions

- The total estimated exempt value is $447 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $1.1 million in state property taxes to exempt property owners and shifts an estimated $3 million in local property taxes in fiscal year 2026.

84.36.043 - Nonprofit homeless shelters

Data Sources

- Washington Center for Real Estate Research, University of Washington, 3Q2022 median resale price by county
- Washington State Health Care Authority, Registered Recovery Residences
- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1983
Primary Beneficiaries:	707 parcels owned by homeless shelters
Taxpayer Count:	64
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 with an upcoming review in 2026

84.36.045 - Nonprofit medical research facilities

Description

Property taxes do not apply to real and personal property owned or used by a nonprofit corporation or association that provides facilities for medical research and training free of charge.

Purpose

Supporting nonprofit medical research and training facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.719	$8.929	$9.145	$9.368
Local Taxes	$25.793	$27.236	$28.763	$30.379

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.798	$1.564	$1.641

Assumptions

- The total estimate exempt value is $4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $9.5 million in state property taxes to exempt property owners and shifts an estimated $27.2 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1975
Primary Beneficiaries:	71 parcels owned by medical research centers
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

84.36.046 - Nonprofit cancer treatment clinics

Description

Property tax does not apply to real and personal property used by nonprofit cancer prevention, detection, or treatment facilities. The property tax exemption also applies to real and personal property used by a municipal hospital corporation for cancer prevention, detection, or treatment.

Purpose

Providing equal taxation treatment for nonprofit cancer treatment clinics as for nonprofit hospitals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.669	$0.685	$0.702	$0.719
Local Taxes	$1.980	$2.091	$2.208	$2.332

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.061	$0.120	$0.126

Assumptions

- The total estimated exempt value is $308 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $730,000 in state property taxes to exempt property owners and shifts an estimated $2.1 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.046 - Nonprofit cancer treatment clinics

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	21 parcels owned by cancer clinics
Taxpayer Count:	2
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and a full review completed in 2022

84.36.047 - Nonprofit radio and TV broadcast facilities

Description

Property tax does not apply to real and personal property used by nonprofit organizations that rebroadcast or amplify the transmission or reception of free radio or television signals broadcast by foreign or domestic government agencies.

Purpose

Supporting the activities of nonprofit broadcasters.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- =Repealing this exemption results in no levy shifts.

Data Sources

- County Assessor, Property tax data
- Department of Revenue, Excise tax return data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1977
Primary Beneficiaries:	Nonprofit radio and TV broadcast facilities
Taxpayer Count:	0
Program Inconsistency:	None Evident
JLARC Review:	Expedited review completed in 2011 and 2022

84.36.049 - Nonprofit low-income housing development

Description

All real property owned by a nonprofit entity or qualified cooperative association for the purpose of developing or redeveloping on the real property one or more residences to be sold to low-income households, including certain land leases, is exempt from state and local property taxes.

Purpose

To reduce the cost of developing low-income housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.104	$0.107	$0.109	$0.112
Local Taxes	$0.308	$0.325	$0.343	$0.363

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.009	$0.019	$0.020

Assumptions

- The total estimated exempt value is $47.9 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $110,000 in state property taxes to exempt property owners and shifts an estimated $330,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.049 - Nonprofit low-income housing development

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1854
Primary Beneficiaries:	219 parcels owned by a nonprofit entity or qualified cooperative association for the purpose of low-income housing development
Taxpayer Count:	51
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.050(1) - Nonprofit private colleges

Description

Property taxes do not apply to real and personal property used by private, nonprofit colleges and universities for educational or cultural purposes. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

Purpose

Supporting the college education provided by nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.439	$3.522	$3.607	$3.695
Local Taxes	$10.175	$10.744	$11.346	$11.983

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.315	$0.617	$0.648

Assumptions

- The total estimated exempt value is $1.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $3.7 million in state property taxes to exempt property owners and shifts an estimated $10.7 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.050(1) - Nonprofit private colleges

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1925
Primary Beneficiaries:	607 parcels owned by nonprofit colleges
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 and an expedited review completed in 2019

84.36.050(1) - Nonprofit private K-12 schools

Description

Property taxes do not apply to real and personal property used by private, nonprofit schools offering education from kindergarten through high school. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

Purpose

Supporting the K-12 education provided by nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.387	$2.445	$2.503	$2.565
Local Taxes	$7.061	$7.456	$7.874	$8.317

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.218	$0.428	$0.450

Assumptions

- The total estimated exempt value is $1.1 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.6 million in state property taxes to exempt property owners and shifts an estimated $7.4 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1925
Primary Beneficiaries:	377 parcels owned by nonprofit K-12 schools
Taxpayer Count:	106
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 and expedited review completed in 2019

84.36.050(2) - Nonprofit educational foundations

Description

Real and personal property owned by a nonprofit foundation that supports an institution of higher education is exempt from property tax. The tax exemption applies only to the property actively used by currently enrolled students.

Purpose

Supporting nonprofit organization providing support to higher education institutions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.086	$0.088	$0.090	$0.092
Local Taxes	$0.253	$0.268	$0.283	$0.298

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.008	$0.016	$0.017

Assumptions

- The total estimated exempt value is $39.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $90,000 in state property taxes to exempt property owners and shifts an estimated $270,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2001
Primary Beneficiaries:	28 parcels owned by institutions of higher learning with an educational foundation
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2019

84.36.060(1)(a) - Nonprofit art collections & museums

Description

Property tax does not apply to the real or personal property of a nonprofit organization maintaining and exhibiting art, scientific, or historical collections. The collections must be open to the public. The exemption also applies to property used exclusively for safekeeping and maintaining the collections. To receive a property tax exemption the nonprofit organization must:

- Operate exclusively for artistic, scientific, historical, or educational purposes.
- Receive a substantial part of its support from the federal, state, or local government or public contributions.

If the property is not currently exhibiting, safe keeping, or maintaining, the collections, but will in the future, the nonprofit organization must submit proof they are constructing, remodeling, or otherwise enabling the property for exempted use.

Purpose

Supporting nonprofit museums that display art, scientific, or historical materials for the public.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.880	$0.901	$0.923	$0.945
Local Taxes	$2.602	$2.748	$2.902	$3.065

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.158	$0.166

Assumptions

- The total estimated exempt value is $405 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $960,000 in state property taxes to exempt property owners and shifts an estimated $2.7 million in local property taxes in fiscal year 2026.

84.36.060(1)(a) - Nonprofit art collections & museums

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1915
Primary Beneficiaries:	304 parcels owned by museums
Taxpayer Count:	94
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007

84.36.060(1)(b) - Nonprofit performing arts

Description

Property tax does not apply to the real or personal property owned or leased by a nonprofit organization producing and performing musical, dance, artistic, dramatic, or literary works for the general public. To receive a property tax exemption the nonprofit organization must:

- Operate exclusively for artistic, literary, musical, dance, dramatic, or educational purposes.
- Receive a substantial part of its support from the federal, state, or local government or public contributions.

Purpose

Supporting nonprofit artistic, literary, musical, dance or dramatic organizations and recognizing the education and artistic contributions they make to society.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.372	$0.381	$0.390	$0.399
Local Taxes	$1.099	$1.161	$1.226	$1.295

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.034	$0.067	$0.070

Assumptions

- The total estimated exempt value is $171 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $400,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.060(1)(b) - Nonprofit performing arts

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	105 parcels owned by performing arts organizations
Taxpayer Count:	31
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2022

84.36.060(1)(c) - Fire companies

Description

Fire engines, buildings, and other equipment of fire companies of any city, town or privately owned fire company are exempt from property tax.

Purpose

Extends the property tax exemption municipal fire districts receive to cover privately-owned land on which fire districts maintain fire stations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- The total estimated exempt value is $300,000.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this results in no state levy shift and shifts an estimated $2,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1890
Primary Beneficiaries:	One known fire district owning a fire station on privately-owned land.
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007

84.36.060(1)(d) - Humane societies

Description

Property owned and used by humane societies is exempt from property tax.

Purpose

Supports the social benefits that humane societies provide. Also, provides the same tax-exempt status granted to animal shelters operated by local governments.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.142	$0.145	$0.149	$0.152
Local Taxes	$0.420	$0.443	$0.468	$0.494

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.013	$0.026	$0.027

Assumptions

- The total estimated exempt value is $65.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $150,000 in state property taxes to exempt property owners and shifts an estimated $440,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1915
Primary Beneficiaries:	62 parcels owned by humane societies
Taxpayer Count:	31
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007

84.36.070 - Intangibles

Description

Intangible personal property receives an exemption from property tax. The definition of intangible personal property includes:

- All money and credits, such as mortgages, cash, deposits, loans, and securities.
- Private personal service contracts and athletic franchises or agreements.
- Other intangible personal property including but not limited to trademarks, trade names, trade secrets, patents, copyrights, franchise agreements, customer lists, licenses and permits.

The law specifically excludes characteristics and attributes of real property (e.g., zoning, location, view, geographic features, etc.) from the definition of intangible personal property.

Purpose

Avoids the double taxation of tangible assets underlying certain intangible assets. The exemption also recognizes the administrative difficulty of locating and valuing such mobile assets.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7,986.600	$7,964.910	$7,651.780	$7,577.700
Local Taxes	$23,632.230	$24,278.470	$24,059.450	$24,569.320

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$683.910	$1,308.300	$1,327.670

Assumptions

- The total estimated exempt value is $3.74 trillion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $7.6 billion and a local levy shift of an estimated $22.7 billion in fiscal year 2026.
- Intangible value of state assessed property will remain stable over the study period.
- The proportion of intangible property in Washington equals the share of Washington income to national income.

Data Sources

- Siblis Research, Total market capitalization of public U.S. companies
- Bureau of Economic Analysis, Gross domestic product and personal income data
- Report: "What Ideas are Worth: The Value of Intellectual Capital and Intangible Assets in the American Economy". By Kevin A. Hassett and Robert J. Shapiro (Sonecon)
- S&P Global Market Intelligence, Household financial assets
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1931
Primary Beneficiaries:	Holders of intangible assets, both individuals and businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

84.36.079 - Ships under construction

Description

Vessels able to carry more than 1,000 tons that are under construction and materials and parts held by the builder at the construction site for use in these vessels are exempt from property tax.

Purpose

Improves the competitive position of shipyards in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

A full repeal of this exemption would have no fiscal impact or shift on state or local property taxes as everything covered under this exemption is also exempt as business inventory.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- All assets exempt under this statue are also exemption as business inventory.

Data Sources

- Internet search for ship builders in Washington
- Survey of county assessor offices

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1959
Primary Beneficiaries:	Owners of vessels under construction
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

84.36.080(1) - Commercial vessels

Description

Vessels used for commercial fishing or for transportation of persons or freight in interstate commerce are subject to the state property tax only and are exempt from all local tax levies.

Purpose

Promotion of ocean-going commerce and commercial fishing in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$2.529	$2.852	$2.284	$2.761

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.080	$0.151	$0.149

Assumptions

- The total estimated exempt value is $440 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.6 million in local property taxes to exempt property owners in fiscal year 2026.
- The apportioned value of commercial vessels is exempt from local property tax levies.
- The apportioned value of commercial vessels will remain stable over the period of this estimate.

Data Sources

- Department of Revenue, State property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1931
Primary Beneficiaries:	Owners of about 1,700 commercial vessels
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

84.36.080(2) - Historic vessels

Description	Ships and vessels listed on the state or federal register of historic places are exempt from all property tax.
Purpose	Encourages retention and restoration of historic boats.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.021	$0.020	$0.019	$0.019
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The total exempt value is $9.6 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- The value of historic vessels remains constant.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $20,000 in fiscal year 2026.

Data Sources

- Joint Legislative Audit and Review Committee
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1986
Primary Beneficiaries:	Owners of vessels listed in the state or federal register of historical places
Taxpayer Count:	11
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

84.36.090 - Other ships and vessels

Description

All ships and vessels, other than commercial vessels and vessels under construction, are exempt from property tax.

Purpose

Protects the owners of pleasure boats and other vessels from paying both the personal property tax and the 0.5% state watercraft excise tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.256	$5.582	$5.313	$5.140
Local Taxes	$18.480	$17.150	$16.703	$16.662

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.480	$0.908	$0.900

Assumptions

- The total estimated exempt value is $3.1 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $5.5 million and a local levy shift of an estimated $15.8 million in fiscal year 2026.
- The estimated value of vessels is based on vessels paying the watercraft excise tax. This excludes human powered crafts and boats under 16 feet in length. The value of human powered crafts and boats under 16 feet likely represents a small percent of the total value of vessels in the state. It is also unlikely county assessors would discover and list many of these vessels. Thus, the value of vessels paying the watercraft excise tax best represents the total value of exempted vessels.
- Repealing this exemption would results in taxpayers owing both watercraft excise tax and property tax.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.090 - Other ships and vessels

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1931
Primary Beneficiaries:	Owners of pleasure boats
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

84.36.105 - Cargo containers

Description

Cargo containers principally used in ocean commerce are exempt from property tax.

Purpose

To help Washington ports compete with other West Coast ports.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.427	$0.430	$0.419	$0.416
Local Taxes	$1.264	$1.311	$1.319	$1.348

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The total estimated exempt value is $193 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $400,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.
- The quantity of cargo containers moving through Washington's ports grows at a 3% rate.
- Eighty-five percent of containers moving through Washington ports move through Port of Tacoma and Port of Seattle.

Data Sources

- Northwest Seaport Alliance
- Sea Container Sales
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.105 - Cargo containers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1975
Primary Beneficiaries:	Owners of cargo containers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2019

84.36.110(1) - Household goods

Description	Household items and furnishings in actual use and personal effects held by the owner for personal use are exempt from property tax.
Purpose	Avoids the administrative difficulty of locating and listing household items and establishing values for used items.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$268.291	$270.719	$264.951	$263.548
Local Taxes	$793.827	$825.387	$833.136	$854.511

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$23.579	$45.304	$46.176

Assumptions

- The total estimated exempt value is $121.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $274.1 million in state property taxes to exempt property owners and shifts an estimated $787.8 million in local property taxes in fiscal year 2026.
- Washington's share of the national value of household goods and personal effects equals Washington's share of national population, which is approximately 2.23%.
- Washington population will grow near 0.8% annually.
- The value of household goods and personal effects will grow approximately 3.4% per year.

Data Sources

- Bureau of Economic Analysis, Current-cost net stock of consumer durable goods
- U.S. Census Bureau, Population by state
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.110(1) - Household goods

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1871
Primary Beneficiaries:	Households
Taxpayer Count:	Approximately 3.1 million households
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.110(2) - Personal property up to $15,000

Description

In addition to the complete exemption of household goods and personal effects, the first $15,000 of taxable personal property for a head of family is exempt from property tax, excluding private motor vehicles and mobile homes.

Purpose

Provides property tax relief to heads of families who have taxable personal property used in a business activity (essentially sole proprietors).

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.404	$0.403	$0.389	$0.382
Local Taxes	$1.120	$1.229	$1.223	$1.238

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.009	$0.019	$0.020

Assumptions

- The total estimated exempt value is $184.0 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $112,000 in state property taxes to exempt property owners and shifts an estimated $323,000 in local property taxes in fiscal year 2026.
- County assessors do not list all sole proprietor personal property accounts of businesses owning less than $15,000. Since owners of personal property self-report, county assessors would have to discover and audit non-reporting businesses that own less than $15,000. This is a costly exercise since assessors are not required to list these accounts, and these accounts have no taxable value. Accounts currently on the rolls would become taxable the following year if this exemption is repealed. Other, currently non-reporting accounts would have a low compliance rate in the first few years after the repeal.
- The average value of personal property owned by non-reporting sole proprietors is $1,500.
- The value of this exempt property grows 2% annually.

84.36.110(2) - Personal property up to $15,000

Data Sources

- County Assessor, Abstract data
- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council's March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1890
Primary Beneficiaries:	Sole proprietor business owners
Taxpayer Count:	100,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

84.36.130 - Airports owned by cities in other states

Description

Real and personal property located in Washington that is exclusively owned by a municipal corporation of an adjoining state that is used primarily as an airport facility is exempt from property taxation, as long as the size of the airport does not exceed 500 acres.

Purpose

While reciprocity is not mentioned in this statute, it is assumed that should a similar situation occur in Oregon or Idaho, those states would enact similar exemptions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, there are no out-of-state municipalities that own airport property in Washington. There is one airport jointly owned by a Washington municipality and an Idaho municipality. Property at this airport is already exempt as government property under other Washington laws.

Data Sources

Survey of county assessor offices

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1941
Primary Beneficiaries:	None, there are no out-of-state municipalities that solely own airport property
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

84.36.133 - Commuter air carriers paying excise tax

Description

An aircraft owned and operated by a commuter air carrier is exempt from property tax for the calendar year if the owner has paid aircraft excise tax on the aircraft for that year.

Purpose

Recognizes the difficulty in providing accurate aircraft values for property tax purposes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.030	$0.031	$0.032	$0.032
Local Taxes	$0.089	$0.094	$0.100	$0.106

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.003	$0.006	$0.006

Assumptions

- The total estimated exempt value is $14 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $10,000 in state property taxes to exempt property owners and shifts an estimated $95,000 in local property taxes in fiscal year 2026.

Data Sources

- Department of Revenue, State assessed valuation data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.133 - Commuter air carriers paying excise tax

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Owners of commuter air carriers
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2019

84.36.135 - Housing Finance Commission

Description

Real and personal property owned by the Washington State Housing Finance Commission is exempt from property tax.

Purpose

Reflects the legislative policy not to tax property owned by governmental-type operations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- The total estimated exempt value is $223,000.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The Housing Finance Commission only owns personal property. The value of this property remains constant through the estimation period.
- Repealing this exemption shifts a minimal amount of state and local property taxes to exempt property owners

Data Sources

- Washington Housing Finance Commission
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.135 - Housing Finance Commission

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	State Housing Finance Commission
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.210 - Public right-of-way easements

Description

Easement rights obtained by government entities over private property are exempt from property taxation. Additionally, property over which the easement permits use is exempt from general tax foreclosure, and property taxes on the sale of delinquent property. Easement refers to the legal right to cross or otherwise use land for a specific purpose. To receive the exemption, the taxpayer must have written documentation of the easement on file with the county auditor's office. However, that some jurisdictions do negotiate payments in lieu of property taxes with local taxing jurisdictions.

Purpose

Since publicly owned property is exempt from taxation, it follows that the value of easements obtained by government agencies for public purposes on privately owned land should be similarly exempt.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- No source of information could be located which indicates the total number of easements, their size, or their value, so these estimates are indeterminate.
- An easement may add to the value of a parcel, or it may detract from the value, depending upon the activity that the easement grants.

Data Sources

- Department of Transportation, Real Estate Services Office

84.36.210 - Public right-of-way easements

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1947
Primary Beneficiaries:	Governmental jurisdictions
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.230 - Interstate bridges

Description	Bridges and their approaches that cross state boundaries and owned and operated by a bordering state or local government are exempt from property taxation within Washington. To qualify, the state owning the bridge or approach must likewise exempt all taxation of any bridges and their approaches owned and operated by the state of Washington or a local government within Washington.
Purpose	To remain consistent with the taxation of government property and to avoid retaliatory taxation by adjoining states.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.531	$6.688	$6.849	$7.017
Local Taxes	$19.319	$20.400	$21.544	$22.754

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.598	$1.171	$1.229

Assumptions

- The total estimated exempt value is $3 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $7.1 million in state property taxes to exempt property owners and shifts an estimated $20.4 million in local property taxes in fiscal year 2026.

Data Sources

- Washington State Department of Transportation structure data
- Economic and Revenue Forecast Council’s March 2023 forecast
- Interstate Bridge Replacement Program
- State property tax levy model, March 2023

84.36.230 - Interstate bridges

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1949
Primary Beneficiaries:	Neighboring states
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and an expedited review completed in 2020

84.36.240 - Soil & water conservation districts

Description	Personal property belonging solely to soil and water conservation districts is exempt from property tax unless a district engages in contract work for parties other than landowners or cooperators of the district.
Purpose	Assists what is essentially a quasi-governmental activity.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.007	$0.007	$0.007	$0.007
Local Taxes	$0.020	$0.021	$0.023	$0.024

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.001	$0.001	$0.001

Assumptions

- The total estimated exempt value is $3.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $8,000 in state property taxes to exempt property owners and shifts an estimated $22,000 in local property taxes in fiscal year 2026.

Data Sources

- Washington State Conservation Commission
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1963
Primary Beneficiaries:	45 soil and water conservation districts
Taxpayer Count:	45
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.250 - Nonprofit water cooperatives

Description

Property tax does not apply to real and personal property owned by a nonprofit corporation or cooperative association that distributes water to shareholders or members.

Purpose

Providing equal treatment for private, nonprofit, and public work distributors and districts.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.185	$0.190	$0.194	$0.199
Local Taxes	$0.548	$0.579	$0.611	$0.645

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.017	$0.033	$0.035

Assumptions

- The total estimated exempt value is $85.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $580,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.250 - Nonprofit water cooperatives

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1965
Primary Beneficiaries:	535 parcels owned by water corporations or cooperatives
Taxpayer Count:	168
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.255 - Habitat and water quality improvements

Description

Taxpayers may apply for a property tax exemption for improvements to real and personal property devoted to fish and wildlife habitat restoration and protection and to water quality and quantity improvements. To qualify, the improvements must be in accordance with a local conservation district's written plan for best management practices.

Purpose

Encourages improvement of fish and wildlife habitat and water quality/quantity.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.023	$0.023	$0.024	$0.024
Local Taxes	$0.067	$0.071	$0.075	$0.080

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.002	$0.004	$0.004

Assumptions

- The total estimated exempt value is $10.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $25,000 in state property taxes to exempt property owners and shifts an estimated $70,000 in local property taxes in fiscal year 2026.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.255 - Habitat and water quality improvements

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1997
Primary Beneficiaries:	Parcels owned by landowners who invest in habitat improvements.
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014

84.36.260 - Nonprofit conservation and open space lands

Description

Property tax does not apply to real property owned by nonprofit corporations or associations used exclusively for the conservation of ecological systems, natural resources, or open space, including park lands. The primary purpose of the nonprofit organization is conducting or facilitating scientific research or conserving natural resources or open space for the general public. The land must be dedicated to these purposes or be subject to an option to purchase by a governmental entity.

Purpose

Encouraging the preservation of open space land and supporting the activities of nature preservation and conservation organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.595	$0.609	$0.624	$0.639
Local Taxes	$1.758	$1.857	$1.961	$2.071

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.054	$0.107	$0.112

Assumptions

- The total estimated exempt value is $274 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $650,000 in state property taxes to exempt property owners and shifts an estimated $1.9 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.260 - Nonprofit conservation and open space lands

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1967
Primary Beneficiaries:	1,659 public parks
Taxpayer Count:	47
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010

84.36.300 - Goods in transit

Description

Merchandise, goods, wares, and materials are exempt from property tax if either of the following is met:

- They are manufactured outside Washington by the current owner and shipped into the state.
- They are acquired by the current owner from another in-state manufacturer, and subsequently exported in substantially the same form they were brought into the state (although repackaging, relabeling, etc. may take place here).

Items exempted include aircraft parts and accessories, but not engines or major structural components, installed in Washington.

Purpose

Encourages trade and promotes economic growth.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Goods in transit are exempt under the business inventory exemption.

Data Sources

Department of Revenue, Property tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1961
Primary Beneficiaries:	Wholesalers of goods passing through the state and manufacturers of aircraft
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

84.36.350 - Nonprofit sheltered workshops

Description

Property tax does not apply to real or personal property used by a nonprofit corporation to operate a sheltered workshop for individuals with disabilities, including property used for manufacturing and handling, selling, or distributing goods constructed, processed, or repaired in the workshop and any inventory and raw materials.

Purpose

Supporting the social benefits and rehabilitative opportunities provided by the workshops.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.400	$0.410	$0.420	$0.430
Local Taxes	$1.184	$1.251	$1.320	$1.394

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.037	$0.072	$0.075

Assumptions

- The total estimated exempt value is $184 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $435,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.350 - Nonprofit sheltered workshops

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1970
Primary Beneficiaries:	68 parcels owned by sheltered workshops
Taxpayer Count:	16
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with an upcoming review in 2026

84.36.381 - Senior and disabled homeowners exemption

Description

An exemption from property tax applies to retired senior citizens (aged 61 or more), disabled homeowners, and veterans entitled to and receiving compensation from the U.S. Department of Veterans Affairs.

The income thresholds necessary to qualify in the exemption program are as follows:

- Income threshold 1 is the greater of $30,000, or 50% of the median household income for the county.
- Income threshold 2 is the greater of $35,000, or 60% of the median household income for the county.
- Income threshold 3 is the greater of $40,000, or 70% of the median household income for the county.

The valuation of qualified homeowners remains unchanged as of January 1, 1995, or January 1 of the first assessment year, the homeowner qualifies for the property tax exemption. To qualify for the valuation freeze, homeowners must have household income equal to or less than Income threshold level 1.

Income thresholds are based on a percentage of the county's median household income and adjusted every three years.

Any surviving spouse, surviving domestic partner, heir, or devisee of a person who was receiving an exemption at the time of the person's death will qualify if the surviving spouse, surviving domestic partner, heir, or devisee is 57 years of age or older and otherwise meets the requirements.

Purpose

Provide property tax relief to low-income, retired, or disabled homeowners.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$90.527	$96.536	$93.743	$95.473
Local Taxes	$277.459	$304.764	$304.584	$319.849

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$7.325	$14.296	$14.976

84.36.381 - Senior and disabled homeowners exemption

Assumptions

- The total estimated exempt value is $39.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $97 million in state property taxes to exempt property owners and shifts an estimated $290 million in local property taxes in fiscal year 2026.
- The average frozen value of homes qualifying for this exemption will grow at 1.5% annually.

Data Sources

- County Assessor, Abstract data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1967
Primary Beneficiaries:	Homeowners who are senior citizens, disabled veterans, surviving spouses and partners who qualify for this program
Taxpayer Count:	Approximately 110,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.400 - Home improvements

Description

Once every five years, a taxpayer may file for a property tax exemption on physical improvements to an existing single family residential dwelling, including constructing an accessory dwelling unit, upon completion of the improvements. The exemption is limited to improvements totaling 30% or less of the structure's original value.

Purpose

To encourage homeowners to upgrade or make improvements to their residences.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.023	$0.024	$0.024	$0.025
Local Taxes	$0.069	$0.072	$0.076	$0.080

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.002	$0.004	$0.004

Assumptions

- The total estimated exempt value is $10.6 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $26,000 and a local levy shift of an estimated $72,000 in fiscal year 2026.

Data Sources

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1972
Primary Beneficiaries:	Owners of single family dwellings who make improvements to their home
Taxpayer Count:	Approximately 200 homeowners
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

84.36.400(2) - ADU units for low-income households

Description

A county with a population of 1.5 million or more may exempt an accessory dwelling unit (ADU) if the owner rents the ADU to a "low-income household" that is not immediate family under the age of 60, and the ADU represents 30% or less of the value of the original structure.

Low-income household means a single person, family, or unrelated persons living together whose adjusted income is at or below 60% of the median household income adjusted for household size, for the county where the household is located, as reported by the U.S. Department of Housing and Urban Development.

Purpose

To incentivize renting accessory dwelling units to low-income households.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- The total estimated exempt value is unknown; therefore, these estimates are indeterminate but likely minimal.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- This exemption starts for property taxes due in 2024. Very few ADUs meet the qualifications for this exemption and even fewer will apply during the forecasted period of this study. .
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Data Sources

- County Assessor, Property tax data

84.36.400(2) - ADU units for low-income households

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2023
Primary Beneficiaries:	Owners of ADUs rented to low-income households.
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.451 - Public property leaseholds

Description

Private rights to use or occupy property owned by the federal government, the state of Washington and its subdivisions, and federally recognized Indian tribes, is exempt from property taxation. Individuals and businesses that lease public or tribal property are instead subject to the leasehold excise tax based on the rental value of the lease.

Purpose

To ensure that lessees of public property pay only leasehold excise tax and not personal property tax on the value of the lease.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

All of this estimate is covered elsewhere in this report under:

- A portion in the estimate for public utility properties.
- A portion in the estimate for certain public-private and tribal property.
- A portion in the estimate for certain residential and recreational lots.

Data Sources

Department of Revenue, Property tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1976
Primary Beneficiaries:	Private lessees of publicly owned property, for example, port districts and state tidelands
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

84.36.470 - Agricultural products

Description

All agricultural products grown, or produced for sale by a person on lands owned by the person or on lands in which the person has a present right of possession are exempt from property tax. Cannabis is not an agricultural product.

Purpose

To assist the agricultural economy.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.384	$17.012	$16.099	$15.486
Local Taxes	$51.426	$51.853	$50.611	$50.196

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$1.458	$2.752	$2.713

Assumptions

- Total estimated exempt value is $8.0 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- The value of agricultural products will remain stable; therefore, these estimates assume no growth.
- Repealing this exemption shifts an estimated $16.7 million in state property taxes to exempt property owners and shifts an estimated $47.9 million in local property taxes in fiscal year 2026.

Data Sources

- U.S. Department of Agriculture, Selected crop acreage, yield, production, and value
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1984
Primary Beneficiaries:	Agricultural producers, processors, and shippers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

84.36.477 - Business inventories

Description

Business inventories, including most products held, acquired, or produced solely for: sale or lease, or for consumption of property that becomes an ingredient or component of property produced for sale or lease, are exempt from property tax.

Purpose

To stimulate the economy and help to make Washington competitive with neighboring states that eliminated personal property taxes on business inventories.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$119.639	$118.508	$114.227	$112.175
Local Taxes	$353.935	$361.268	$359.151	$363.677

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to those taxpayers currently receiving this exemption and reduces the tax burden of other taxpayers. The repeal may decrease the local rate, and local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$10.237	$19.530	$19.652

Assumptions

- Total estimated exempt value is $54.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Market value of business inventories in Washington will grow at the forecasted rate of national business inventories.
- Repealing this exemption shifts an estimated $118.4 million in state property taxes to exempt property owners and shifts an estimated $339.6 million in local property taxes in fiscal year 2026.

Data Sources

- U. S. Economic Census, 2017
- S&P Global Market Intelligence, March 2023
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1974
Primary Beneficiaries:	Manufacturers, wholesalers, and retailers
Taxpayer Count:	38,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012

84.36.480 - Nonprofit fair associations

Description

Property taxes do not apply to real and personal property owned by a nonprofit fair association eligible to receive support from the fair fund that sponsors or conducts a county fair.

The exemption also applies to nonprofit fair associations organized under the nonprofit miscellaneous and mutual corporations act, if the nonprofit purchased or acquired the majority of the property from a county or city between 1995 and 1998.

The exemption applies to properties valued at no more than $15 million. Loaning or renting the property to private concessionaires in conjunction with a fair does not nullify the exemption if the rental charges are reasonable and used for operating and maintaining the property. If any portion of the property is rented for more than 50 days during a calendar year, the rental income becomes subject to leasehold excise tax beginning January 1, 2019.

Purpose

To support county agricultural fairs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.039	$0.040	$0.041	$0.042
Local Taxes	$0.117	$0.123	$0.130	$0.137

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.004	$0.007	$0.008

Assumptions

- The total estimated exempt value is $18.1 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $40,000 in state property taxes to exempt property owners and shifts an estimated $120,000 in local property taxes in fiscal year 2026.

84.36.480 - Nonprofit fair associations

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1975
Primary Beneficiaries:	26 parcels owned by fair associations
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

84.36.487 - Air pollution control facilities

Description

Air pollution control equipment constructed or installed at a thermal electric generating facility after May 15, 1997, is exempt from property tax. To qualify, the generating facility must have begun operation between January 1, 1970, and June 30, 1975.

Purpose

To encourage thermal electric generating facilities to reduce air pollution emissions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Property Tax Division

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Thermal electric generating facility
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

84.36.500 - Conservation futures on agricultural land

Description

Property tax does not apply to conservation futures of unlimited duration on farm and agricultural lands owned by certain nonprofit corporations or associations. To qualify, the primary purpose of the nonprofit corporations or associations must be to conserve agricultural lands and prevent them from being converted to nonagricultural uses, and the conservation futures must be effectively restricted to prevent nonagricultural uses on the land.

Purpose

Encouraging the retention of farmlands in urban transitional areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

County Assessor, Property tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1984
Primary Beneficiaries:	Nonprofit organizations that acquire development rights to agricultural lands and owners of the agricultural lands.
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2018

84.36.510 - Mobile homes in dealer's inventory

Description

Property tax does not apply to mobile homes in a dealer's inventory and held solely for sale in the ordinary course of the dealer's business. The exemption does apply to taxes already levied or delinquent on the mobile home when it becomes part of a dealer's inventory.

Purpose

Helps make Washington competitive with neighboring states that eliminated personal property taxes on business inventories.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.054	$0.057	$0.061	$0.064
Local Taxes	$0.159	$0.174	$0.191	$2.090

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.005	$0.011	$0.012

Assumptions

- Total estimated exempt value is $24.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption results in a state levy shift of an estimated $63,000 and a local levy shift of an estimated $180,000 in fiscal year 2026.
- Inventory as a percentage of shipments of mobile homes to Washington, is similar to when tracking of inventory stopped in 2013.

Data Sources

- U. S. Census data for inventory and average sales price
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.510 - Mobile homes in dealer's inventory

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Mobile home dealers
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

84.36.550 - Nonprofit fund-raising

Description

Property tax does not apply to real and personal property owned by nonprofit organizations that solicit gifts, donations, or grants if:

- The organization is nonsectarian.
- A state or national group that authorizes, approves, or sanctions volunteer charitable fund-raising efforts affiliates with the nonprofit organization.
- The organization is exempt from federal income tax.
- The organization has a volunteer board of directors.

The organization uses gifts, donations, and grants for character-building, benevolent, protective, or rehabilitative social services to people of all ages for distribution to at least five other nonprofit organizations or associations that are organized and conducted for the same purposes listed above.

Purpose

Supporting the fund-raising activities of these nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.181	$0.186	$0.190	$0.195
Local Taxes	$0.536	$0.566	$0.598	$0.632

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.017	$0.033	$0.034

Assumptions

- The total estimated exempt value is $83.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $570,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1993
Primary Beneficiaries:	13 parcels owned by nonprofit fund-raising organizations
Taxpayer Count:	4
Program Inconsistency:	None Evident
JLARC Review:	Expedited review completed in 2013

84.36.560 - Nonprofit low-income rental housing

Description

Property tax does not apply to real and personal property owned or used by a "nonprofit entity" that provides rental housing for qualifying households, or mobile home spaces rented to qualifying households within a mobile home park, or mobile home park cooperative.

The exemption's must benefit the nonprofit entity, and at least 75% of the dwelling units must be occupied by households with incomes at or below 60% of the median income, adjusted for household size, for the county where the property is located.

If the dwelling units are occupied by less than 75% of qualifying households, the nonprofit entity may receive a partial exemption.

The housing must be insured, financed, or assisted in whole, or in part, by one or more of the following sources:

- A federal or state housing program administered by the Department of Commerce.
- A federal housing program administered by a city or county government.
- A local affordable housing property tax levy.
- Certain authorized affordable housing and homeless housing and assistance surcharges.
- Financing by the Washington State Housing Finance Commission.

Purpose

Encouraging the construction and use of housing for low-income households.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$20.182	$20.669	$21.167	$21.683
Local Taxes	$59.702	$63.042	$66.577	$70.317

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$1.847	$3.620	$3.799

84.36.560 - Nonprofit low-income rental housing

Assumptions

- The total estimated exempt value is $9.3 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $22 million in state property taxes to exempt property owners and shifts an estimated $63 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1999
Primary Beneficiaries:	1755 parcels of rental housing
Taxpayer Count:	161
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 with an upcoming review in 2026

84.36.570 - Nonprofit demonstration farms

Description

Property tax does not apply to all real and personal property of a demonstration farm used by a research and education program of a state university and owned by a nonprofit organization, corporation, or association if:

- The property is no more than 50 acres.
- The nonprofit organization, corporation, or association is a 501(c)(3).
- The farm includes research and extension facilities, a public agricultural museum and an educational tour site used by a state university for agricultural research and education programs.
- Income from the sale of agricultural products furthers the purpose of the nonprofit organization.
- Exempted property must be used exclusively for the purposes of the exemption.

Purpose

Supporting the continued operation of a demonstration farm by a state university for agricultural research and education programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- There are currently two organizations claiming this exemption.
- The exempted value for the organizations is unknown, therefore these estimates are indeterminate.

Data Sources

- Department of Revenue, Exempt property tax data

84.36.570 - Nonprofit demonstration farms

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1999
Primary Beneficiaries:	4 parcels owned by demonstration farms
Taxpayer Count:	2
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

84.36.590 - Vitrification equipment

Description

Personal property located on land owned by the U.S. government at the Hanford reservation is exempt from property tax if it is used exclusively in the performance of a privatization contract to pre-treat, treat, vitrify or immobilize tank waste. The personal property must be used by the person who has a privatization contract to perform tank waste clean-up operations at the Hanford Reservation.

Purpose

Supports nuclear waste clean-up activities at Hanford.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- No equipment currently located at the Hanford site qualifies for this exemption.
- It is unknown if any qualifying equipment will be located at the Hanford site during the forecasted period of this study, so these estimates are indeterminate.

Data Sources

- Benton County assessor, Property tax data
- The Hanford Site, Waste treatment and immobilization plant

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2000
Primary Beneficiaries:	Persons with privatization contract to assist clean-up at Hanford Reservation
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

84.36.595 - Motor vehicles, trailers, and campers

Description

Motor vehicles, travel trailers, and campers are exempt from property tax.

Purpose

Ensures that property tax does not apply to vehicles.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$114.135	$116.888	$119.705	$122.628
Local Taxes	$337.633	$356.527	$376.517	$397.670

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$10.448	$20.472	$21.489

Assumptions

- The total estimated exempt value is $52.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The Department of Licensing’s database contains all registered vehicles in Washington.
- Repealing this exemption shifts an estimated $124 million in state property taxes to exempt property owners and shifts an estimated $356 million in local property taxes in fiscal year 2026.

Data Sources

- Bureau of Transportation Statistics, Average age of automobiles and trucks in operation in the United States
- Department of Licensing database
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2000
Primary Beneficiaries:	Individuals and businesses who own vehicles
Taxpayer Count:	7,800,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2019

84.36.597 - Heavy equipment rental property

Description

All heavy equipment rental property owned by a heavy equipment rental property dealer is exempt from property tax. A claim must be filed annually with the dealer's personal property listing to the county assessor for an exemption from taxes payable the following year.

Purpose

To reduce costs for owners of heavy equipment rental property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	($2.467)	($2.453)	($2.615)	($2.799)
Local Taxes	$2.171	$2.544	$2.581	$2.655

Repeal of exemption

Repealing a property tax exemption would increase state revenues. The repeal also shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate, and local taxing districts which are at their statutory maximum rate may therefore experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	($3.013)	($3.436)	($3.618)
Local Taxes	$0.000	$0.000	$0.141	$0.144

Assumptions

- The total estimated exempt value is $286.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax and industrial equipment growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The value of those counties responding to our survey represents those counties not responding to our survey.
- Exempt value will grow at a rate consistent with the growth rate of industrial equipment.
- 25% more heavy rental businesses will take the exemption in fiscal year 2023, with an additional 5% more each year after.
- Repealing this exemption results in a state levy shift of an estimated $848,000 and a local levy shift of an estimated $2.44 million in fiscal year 2026.

Data Sources

- Survey of county assessor offices
- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax forecast model, March 2023

84.36.597 - Heavy equipment rental property

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Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2020
Primary Beneficiaries:	Businesses that rent heavy equipment
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.600 - Custom computer software

Description

Custom computer software, except for embedded software, is exempt from property tax. Custom software is software designed for a specific need for a single person or group of persons. Also exempt are master or golden copies of software, retained rights in computer software and modifications to prewritten software.

Purpose

To recognize the administrative difficulties in valuing such software and to achieve uniform tax treatment in all counties.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The value of custom computer software is unknown; therefore these estimates are indeterminate.

Data Sources

County Assessor, Property tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Businesses that own custom computer software
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2023

84.36.605 - Regional Transit Authority Sales and Leasebacks

Description

Property tax does not apply to the real and personal property of a regional transit authority (RTA) subject to sale and leaseback arrangements. An RTA may sell facilities, trains, and buses, then lease them back from the investor.

Purpose

Provides the RTA with assistance in acquiring and financing trains, buses, and facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Sound Transit

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2000
Primary Beneficiaries:	Sound Transit
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

84.36.630 - Farm machinery (state levy)

Description

Personal property in the form of machinery and equipment owned by a farmer and used in growing and producing agricultural products is exempt from both parts of the state property tax levies. Qualifying farm machinery is still subject to local property tax levies.

Purpose

Reduces the property tax burden for farmers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.026	$3.057	$3.089	$3.122
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The total estimated exempt value is $1.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $3.2 million in state property taxes to exempt property owners in fiscal year 2026.

Data Sources

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.630 - Farm machinery (state levy)

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Owners of farm machinery used to produce agricultural products
Taxpayer Count:	5,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

84.36.635 - Anaerobic digesters

Description

All buildings, machinery, equipment, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from property tax. Applications for anaerobic digesters must be filed by December 31, 2024. The exemption is valid for six years and may not be renewed.

Purpose

Encourages the use of anaerobic digesters to promote renewable natural gas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

- Survey of county assessor offices
- Department of Ecology, Organic waste data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2003
Primary Beneficiaries:	Operators of an anaerobic digester
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.36.645 - Semiconductor Materials Manufacturing After $1 Billion Investment - Machinery and Equipment

Description

Machinery and equipment exempt from sales and use taxes used in manufacturing semiconductor materials is exempt from property tax. The exemption is contingent upon the siting of a significant semiconductor fabrication facility with an investment of at least $1 billion in buildings and equipment in Washington. The exemption expires January 1, 2024, unless a signed contract for construction of a significant fabrication facility occurs before the expiration.

Purpose

Encourages the retention of existing semiconductor businesses in Washington and attracts similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

County Assessor, Property tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Semiconductor fabrication facility
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with an expedited review in 2021

84.36.650 - Nonprofit fund-raising to support artists

Description

Property tax does not apply to real and personal property owned by a nonprofit organization that raises funds to support individual artists if:
- The organization is nonsectarian.
- The organization is a 501(c)(3).
- The organization has at least 8 board members.
- The organization uses funds for grants, fellowships, information services, or education resources for individual artists.
- If the property is leased, the exemption's benefit is realized by the lessee.

Purpose

Assisting nonprofit organizations that support artists.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- The total estimated exempt value is $150,000.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this results in a minimal state and local levy shift.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.36.650 - Nonprofit fund-raising to support artists

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2003
Primary Beneficiaries:	Nonprofit supporting artists
Taxpayer Count:	1
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2024

84.36.655 - Aircraft facilities, port property

Description

Facilities used to manufacture superefficient airplanes which are located on property owned by a port district are exempt from property tax. The exemption covers buildings, machinery, equipment, and other personal property owned by a lessee of port district property. The exemption expires July 1, 2040.

The exemption is not available if the manufacturer takes the B&O tax credit for property and leasehold taxes paid on property used to manufacture commercial airplanes.

Purpose

Encourages establishment of a superefficient airplane manufacturing facility in Washington. This exemption requires that such a facility would be located on port district property. As such, it addresses the personal property component of the facility as the real property is likely to be publicly owned.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Annual tax performance report data

84.36.655 - Aircraft facilities, port property

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Any manufacturer of a super-efficient airplane that locates a facility on port district property.
Taxpayer Count:	0
Program Inconsistency:	None evident.
JLARC Review:	Full review completed in 2019 with an upcoming review in 2024

84.36.665 - Military housing

Description

Qualifying privately owned military housing is exempt from property tax.

Purpose

Supports privatization of military housing on federal land.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.697	$0.714	$0.731	$0.749
Local Taxes	$2.062	$2.177	$2.299	$2.428

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.064	$0.125	$0.131

Assumptions

- The total estimated exempt value is $321 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $760,000 in state property taxes to exempt property owners and shifts an estimated $2.2 million in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	2 owners of military housing projects awarded under the military housing privatization initiative
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

84.36.670 - Multipurpose senior citizen centers

Description

One or more contiguous real property parcels and personal property owned by a senior citizen organization are exempt from taxation if the property is used for the actual operation of a multipurpose senior citizen center. This includes property loaned or rented to the multipurpose senior center. The exempt property may be used for fund-raising events and activities.

Purpose

To provide tax relief to senior citizen organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.014	$0.014	$0.014	$0.015
Local Taxes	$0.041	$0.043	$0.045	$0.048

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.001	$0.003	$0.003

Assumptions

- Total estimated exempt value is $6.3 million.
- Exempt value will grow at a rate consistent with the growth rate of the market value of real property.
- Repealing this exemption shifts an estimated $15,000 in state property taxes to exempt property owners and shifts an estimated $43,000 in local property taxes in fiscal year 2026.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2017
Primary Beneficiaries:	18 parcels owned by a senior citizen organization
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

84.36.675 - Limited equity cooperative housing

Description

Limited equity cooperatives (LEC) receive a property tax exemption for real property owned by LEC that provides owned housing for low-income households if the following is met:

- The LEC and its members receive the benefit of the exemption.
- At least 85% of units are occupied by members of the LEC by January 1 of the assessment year.
- At least 95% of property for which the exemption is sought must be used for housing units or other noncommercial uses.
- The housing was insured, financed, or assisted by certain federal or state housing programs.

Purpose

To provided permanent and affordable housing to low and middle-income residents.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Repealing this exemption results in no levy shifts.

Data Sources

- County Assessor, Property tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2022
Primary Beneficiaries:	Limited equity cooperatives
Taxpayer Count:	0
Program Inconsistency:	None Evident
JLARC Review:	No review completed

84.36.680 - Renewable energy systems

Description

Qualified personal property used exclusively for the generation or storage of renewable energy is eligible for an exemption from property taxes levied for any state purpose. The exemption is available for 10 or 15 years following the date on which the facility where the property is located first becomes operational. Qualified personal property is personal property used exclusively for the generation or storage of renewable energy in a facility, the construction of which began on or after July 1, 2023. Renewable energy is energy produced by a solar or wind facility with nameplate capacity sufficient to generate at least 10 megawatts of alternating current power.

To receive this exemption the property owner must pay a renewable energy excise tax.

Purpose

To encourage renewable energy facilities to locate in Washington while supporting local governments, schools, and communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.396	$0.967
Local Taxes	$0.000	$0.000	($0.098)	($0.471)

Repeal of exemption

Under a budget-based system, repealing a property tax exemption would normally not increase revenue. The repeal would just shift the property tax to the currently exempt taxpayers. However, portions of the currently exempt value were never added to the property tax roll. If this exemption was repealed, the value that was not yet added to the property tax roll would be added as new construction thereby increasing revenue. Any exempt value that was already added to the property tax roll would result in a shift of property taxes to the property owners currently receiving this exemption.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	0.086	$0.246
Local Taxes	$0.000	$0.000	($0.098)	($0.471)

Assumptions

- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $310,000 in state property taxes to exempt property owners in fiscal year 2026.
- Approximately 150 megawatts, nameplate capacity, of renewable energy will be added each year of this estimate.
- Added capacity will be an equal spilt between wind and solar.

- Approximately 200 megawatt hours of renewable energy storage will be added each year of this estimate.
- The average cost of qualifying personal property for a solar facility is approximately $1 million per megawatt of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- The average cost of qualifying personal property for a wind facility is approximately $1.3 million per megawatt of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- The average cost of qualifying personal property for a renewable energy storage facility is approximately $360,000 per megawatt hour of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- Because of construction time, the first facility begins production in calendar year 2026.
- Half the taxpayers will select the 10-year exemption and half will select the 15-year exemption.
- Approximately two-thirds of the exempt property would have been added to the tax roll prior to receiving the property tax exemption and approximately one-third of the exempt property would not have been added to the tax roll prior to receiving the property tax exemption. Therefore a repeal of this exemption will result in both a shift and gain in state revenue.
- Repealing this exemption shifts an estimated $310 thousand in state property taxes to exempt property owners.
- If this property tax exemption is repealed the excise tax owed in lieu property tax, will no longer be owed. Resulting in a loss of revenue to local governments and schools.

Data Sources

- U.S. Energy Information Administration, Energy data
- Solar Reviews website
- Cost Projection for Utility-Scale Battery Storage: 2021 - Update National Renewable Energy Laboratory
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Renewable energy companies
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.37.030 - Low-income homeowners tax deferral

Description

A homeowner may defer 50% of special assessments and real property taxes if the homeowner:

- Owns the house for more than five years and lived in the house as of January 1 of the year taxes are due.
- Has a combined disposable income of $57,000 or less in the calendar year prior to filing.
- Total amount deferred cannot exceed 40% of the amount of the claimant's equity value in the residence.
- Already paid half of the taxes due for the year.
- Has enough fire and casualty insurance to protect the interests of the state.

The homeowner can't defer special assessments or property taxes under the conditions and qualifications for claiming the deferral and can only defer up to 40% of his or her equity in the property. The state reimburses local taxing districts for the local property taxes deferred under this program.

Purpose

Relieving the property tax burden of persons with limited incomes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.032	$0.034	$0.036	$0.038
Local Taxes	$0.083	$0.087	$0.092	$0.097

Repeal of exemption

Repealing this property tax exemption would increase state revenues. Unlike most property tax exemptions, it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state reimburses local taxing districts for the local property taxes deferred under this program.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.121	$0.128	$0.135
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The number of participants taking the deferral remains constant.
- Estimated growth in the average deferral is 5.5% annually.
- Repealing this exemption results in no levy shifts.

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.37.030 - Low-income homeowners tax deferral

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Low income homeowners
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011

84.38.030 - Senior and disabled homeowners tax deferral

Description

A homeowner may defer 80% of special assessments and real property taxes if the homeowner:

- Meets all requirements for an exemption for the residence under the senior exemption program.
- Is 60 or older by December 31 of the deferral claim year, or is retired due to physical disability.
- Has a combined disposable income of 75% or less of the county median household income.
- Has enough fire and casualty insurance to protect the interests of the state.
- Owned, at the time of filing, the residence upon which the special assessment and/or real property taxes are imposed.
- If claiming a special assessment deferral, opted for installment payments if available.
- Any surviving spouse, surviving domestic partner, heir, or devisee of a person who was receiving a deferral at the time of the person's death qualifies if the surviving spouse or surviving domestic partner is fifty-seven years of age or older and otherwise meets these requirements.

The state reimburses local taxing districts for the local property taxes deferred under this program.

Purpose

Relieve the property tax burden of low-income, elderly, or disabled persons.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.409	$0.409	$0.409	$0.409
Local Taxes	$1.053	$1.053	$1.053	$1.053

Repeal of exemption

Repealing this property tax deferral would increase state revenues. Unlike most property tax exemptions, it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state reimburses local taxing districts for the local property taxes deferred under this program.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.462	$1.462	$1.462
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state reimburses local taxing districts for the local property taxes deferred under this program.

84.38.030 - Senior and disabled homeowners tax deferral

Data Sources

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1975
Primary Beneficiaries:	Senior and disabled homeowners
Taxpayer Count:	620
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.39.010 - Veteran widows and widowers

Description

Widows or widowers of a veteran qualify for a property tax exemption, in the form of a grant, if they:

- Meet all requirements under the senior citizens exemption program, other than the income limits.
- Are 62 or older by December 31 of the exemption claim year or retired due to physical disability and the veteran:
  - Died from a service-related disability.
  - Was 100% disabled by the U.S. Veterans Administration for at least the last 10 years prior to the veteran's death.
  - Was a prisoner of war and rated 100% disabled for at least one year prior to the veteran's death, or died while on active duty or in active military status.

In addition, the widow or widower of a veteran must not have remarried or have a combined disposable income of more than $40,000.

The grant equals the amount of regular and special property tax levies imposed on the difference between the value of the residence that is eligible under the senior citizens exemption program and the following:

- If disposable income is less than $30,000, the first $100,000 of residential value.
- If disposable income is between $30,000 and $35,000, the first $75,000 of residential value.
- If disposable income is between $35,000 and $40,000, the first $50,000 of residential value.

Purpose

Providing property tax relief to survivors of deceased veterans.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts, as the state provides a grant to the taxpayer for the state and local property taxes deferred under this program.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

84.39.010 - Veteran widows and widowers

Assumptions

- Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state provides a grant to the taxpayer for the state and local property taxes deferred under this program.

Data Sources

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005
Primary Beneficiaries:	Widows or widowers of veterans
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	Expedited completed review in 2020

84.40.030(3) - Growing crops

Description

The value of agricultural land on January 1 does not include growing crops for property tax purposes. This exemption does not apply to cannabis.

Purpose

The harvesting of most crops prior to January 1 prevents them from being subject to property tax. This exemption provides equal treatment for the few crops that may still be growing in the ground, principally winter wheat and fall barley.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.247	$0.247	$0.238	$0.233
Local Taxes	$0.732	$0.752	$0.748	$0.756

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.021	$0.041	$0.041

Assumptions

- The total estimated exempt value is $113 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Farmers incur 40% of costs - excluding seed costs - by January 1 for crops in the ground on January 1. The value of these crops equals the market value of the finished crop less the estimated remaining cost.
- Repealing this exemption shifts an estimated $250,000 in state property taxes to exempt property owners and shifts an estimated $710,000 in local property taxes in fiscal year 2026.

Data Sources

- Oregon State University, Cost of onion production in Eastern Oregon and Idaho
- State property tax levy model, March 2023
- USDA Economics Research Service: Economics of Food, Farming, Natural Resources, and Rural America
- USDA National Agricultural Statistics Service
- Economic and Revenue Forecast Council March 2023 Forecast
- State property tax levy model, March 2023

84.40.030(3) - Growing crops

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1890
Primary Beneficiaries:	Farmers who have crops growing on January 1
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2007 and 2018

84.40.037 - Prewritten computer software

Description

Computer software, except embedded software, is subject to property tax on 100% of the purchase price in the first year following purchase and on 50% of the cost in the second year. Thereafter, it is exempt from property tax.

Purpose

Recognizes the rapid obsolescence of software and the difficulty of establishing accurate depreciation schedules for the myriad of software programs. Also, it helps provide uniformity of taxation throughout the state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The value of prewritten software currently in use is unknown, therefore these estimates are indeterminate.

Data Sources

Survey of county assessor offices

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Businesses owning canned software
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2023

84.40.220 - Nursery stock

Description

Nursery stock not grown in the ground (e.g. pots/bags) is exempt from property tax.

Purpose

To provide tax treatment for nursery stock that is equivalent to growing crops.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.239	$0.234	$0.221	$0.213
Local Taxes	$0.707	$0.713	$0.696	$0.690

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.020	$0.037	$0.037

Assumptions

- The total estimated exempt value is $110 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $230,000 in state property taxes to exempt property owners and shifts an estimated $660,000 in local property taxes in fiscal year 2026.

Data Sources

- U.S. Department of Agriculture, National Agricultural Statistics Service
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1971
Primary Beneficiaries:	Owners of nurseries
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2018

84.56.020(19) - Waiver of interest and penalties for qualified taxpayers subject to foreclosure

Description

A county treasurer must provide a one-time only waiver on all outstanding interest and penalties on delinquent taxes on a property subject to foreclosure action, no earlier than 60 days prior to being three years delinquent if:

- The taxpayer meets the minimum income threshold requirement for the senior citizen and disabled persons exemption program.
- The taxpayer occupies the property as their principal place of residence.

Purpose

Provides relief for residential property owners to avoid foreclosure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not impact the state school levy as the state does not receive interest and penalty payments on delinquent property taxes. Repealing this exemption would increase local revenue as interest and penalties are retained by local government. Repealing this exemption does not shift the property tax on to others.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- This exemption results in no revenue impact to the state property tax levy.
- The local estimates are indeterminate. Data on interest and penalty payments received on delinquent property taxes is unavailable. Any taxpayer savings or revenue impacts are likely minimal.

Data Sources

- County assessors and treasurers

84.56.020(19) - Waiver of interest and penalties for qualified taxpayers subject to foreclosure

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2020
Primary Beneficiaries:	Residential property owners delinquent on property tax
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

84.56.025 - Delinquency penalty and interest waivers

Description

County treasurers must waive interest and penalties on delinquent property taxes when one of the following occurs:

- Notice was not sent to the taxpayer due to an error by the county. Interest and penalties are reinstated if the taxpayer fails to pay delinquent taxes within 30 days of receiving proper notice.
- The taxpayer fails to make one payment on their personal residence due to hardship caused by the death of their spouse.
- The taxpayer fails to make one payment on their parent's or stepparent's personal residence due to hardship caused by the death of their parent or stepparent.

County treasurers may, at their discretion, waive interest and penalties on delinquent property taxes when the taxpayer pays an erroneous amount due to an error made by the taxpayer.

Purpose

Provides relief for taxpayers in cases of errors or hardships.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.160	$0.160	$0.160	$0.160

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.160	$0.160	$0.160

Assumptions

- Total number of households claiming this waiver is 370 per year.
- Average property tax owed for households claiming this waiver is approximately $5,200.
- Repealing this exemption will not result in a state or local levy shift.
- No growth in the number of penalties and interest waived each year.

Data Sources

- County Assessor, Abstract data

84.56.025 - Delinquency penalty and interest waivers

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1984
Primary Beneficiaries:	Property owners who may owe interest and penalties in these circumstances
Taxpayer Count:	370
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2020

84.56.335 - Mobile Homes Possessed by Landlords

Description

Property tax does not apply to a manufactured home or park model trailer worth less than $8,000 if the landlord of the manufactured home park takes ownership and submits a signed affidavit to the assessor indicating an intent to resell or rent the home and either:

- The manufactured home or park model trailer has been abandoned.
- A final judgment regarding the manufactured home or park model trailer for restitution of the premises is executes in favor of the landlord and the title transfers to the landlord.

All future taxes are the responsibility of the owner of the manufactured, mobile home or park model trailer.

Purpose

Allows manufactured home park owners to renovate and rent or sell abandoned homes without the responsibility of back property taxes, interest, and penalties owed by the previous owner.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

These estimates are indeterminate but likely minimal.

Data Sources

County assessors and treasurers

84.56.335 - Mobile Homes Possessed by Landlords

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Manufactured home park owners
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

84.70.010 - Destroyed property

Description

Property damaged in whole or in part, or located in a disaster as declared by the Governor or county legislative authority that has been reduced in value by more than 20%, may have its value reduced by the difference in fair market value before and after the destruction or natural disaster.

Purpose

To provide relief for owners of destroyed property or losses of property value resulting from natural disasters.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.024	$0.024	$0.025	$0.025
Local Taxes	$0.070	$0.073	$0.078	$0.083

Repeal of exemption

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.002	$0.004	$0.005

Assumptions

- The total estimated exempt value is $10.9 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $26,000 in state property taxes to exempt property owners and shifts an estimated $74,000 in local property taxes in fiscal year 2026.

Data Sources

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

84.70.010 - Destroyed property

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1974
Primary Beneficiaries:	Owners of property impacted by a natural disaster
Taxpayer Count:	35
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

Chapter 18
Public Utility Tax

35.58.560 - METRO transit expenditures

Description

Metropolitan municipal corporations may take an offset against gross revenue subject to any state tax for expenditures made from such gross revenue for planning or performing public transportation.

Purpose

To support public transportation systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1967
Primary Beneficiaries:	Municipal transit corporations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2020

82.16.020(1)(d) - Urban transportation

Description

Urban transportation businesses are subject to the public utility tax at a rate of 0.642%. The public utility tax rate for most other forms of transportation is 1.926%.

Urban transportation businesses operate vehicles for public use to convey persons or property for hire either entirely:
- Within a city or within five miles of the city.
- Within and between cities that are not more than five miles apart.
- Within five miles of the corporate limits of either.

Purpose

Reduces costs for local transit authorities and qualifying businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.040	$6.460	$6.920	$7.420
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.930	$6.920	$7.420
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.1% based on historical urban transportation taxable activity.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Local transit systems, taxi companies, intra-city delivery businesses
Taxpayer Count:	1,505
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2008 and expedited review completed in 2019

82.16.020(1)(e) - Vessels under 65 feet in length

Description

Vessels under 65 feet in length, except tugboats, operating upon the waters within the state are subject to the public utility tax at a rate of 0.642%. The public utility tax rate for most other forms of transportation is 1.926%.

Purpose

Provides tax relief for small vessels transporting persons or goods within Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.039	$0.042	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.038	$0.045	$0.047
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Linear growth rate of about $430,000 taxable per year based on 5-year average.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Water transportation businesses
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.16.020(1)(h) - Log transportation businesses

Description

Businesses transporting logs, not including urban or private road exclusive transportation, receive a preferential public utility tax rate of 1.3696% (including a 7% surtax).

Purpose

Supports the forest products industry by providing permanent tax relief by lowering the public utility tax rate attributable to log transportation businesses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.961	$0.993	$1.031	$1.071
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this preferential tax rate would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.910	$1.031	$1.071
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The tax difference between 1.926% and 1.3696% is the measure of revenue gains.
- Growth rate mirrors the other public service public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Log haulers
Taxpayer Count:	700
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.16.040 - Minimum income threshold - $2,000 per month

Description

The public utility tax does not apply to a business whose total gross income is less than $2,000 per month. Public utility tax applies to the total monthly gross income if it equals or exceeds $2,000 per month.

Purpose

To encourage new or small public utility businesses and for administrative convenience.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.156	$2.205	$2.265	$2.338
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.021	$2.265	$2.338
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Small public service and utility businesses
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 with an upcoming review in 2023

82.16.0421 - Electricity sold to electrolyte processors

Description

Utility companies providing electricity to producers of chlor-alkali or sodium chlorate do not pay public utility tax on the electricity used to produce those compounds. The exemption expires on June 30, 2029, and does not apply to sales of electricity made after December 31, 2028.

Purpose

Supports the chemical industry which supplies the pulp and paper industry with sodium chlorate used for bleaching pulp in white paper products. Electricity is a prime raw material component in the processing of the product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Electrolytic processing businesses
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.045; 82.34.060(2) - Pollution control facilities

Description

Construction of required pollution control facilities associated with approved applications received between July 30, 1967, and November 30, 1981, was exempt from sales and use taxes. If sales and use taxes were previously paid, the amount paid may be taken as a credit against B&O, public utility, or use taxes.

The total annual credit claimed is limited to 2% of the cost of the qualifying facility. The total cumulative credits allowed may not exceed 50% of the cost of the qualifying facility.

Purpose

To encourage pollution control and to compensate existing companies for the costs they incur to meet upgraded pollution standards.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Businesses required to install pollution control facilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.16.046 - Second Narrows Bridge

Description

A public utility tax exemption is allowed on income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts any tolls received by the operator of the bridge from public utility tax.

Purpose

Lower the overall cost of operating the second Narrows bridge.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The state receives the tolls, not the business contracted to collect the tolls. Income derived from the operation of state route 16 does not fall under the public utility tax classifications.

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Toll operators
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.16.047 - Ride-sharing and special needs transportation

Description

Ride-sharing receipts are exempt from PU tax for:

- Vanpools and carpools used for ride-sharing.
- Public social service agencies or private, nonprofit transportation providers that transport people with special transportation needs.

Purpose

Reduces motor vehicle fuel consumption and traffic congestion by promoting ride-sharing and supports nonprofit organizations that provide group transportation services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.733	$0.755	$0.781	$0.809
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.692	$0.781	$0.809
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- 20% of the trips are out-of-county.
- Income from providing these services result from government funding.

Data Sources

- Health Care Authority, Non-Emergency Medical Transportation Program

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1979
Primary Beneficiaries:	Nonprofit transportation providers and public transportation systems that provide transportation services
Taxpayer Count:	109
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.16.0495 - Electricity sold to direct service industry (DSI)

Description

Sales of electricity from a gas turbine electrical generation facility to a direct service industrial (DSI) customer are eligible for a public utility tax credit if the facility makes such sales for at least 10 consecutive years and reduces the price of the electricity by an amount equal to the credit. The tax credit lasts for 60 months following the first qualifying sale of electricity. The DSI customer must maintain existing employment levels for at least five years to qualify. A DSI customer is an industrial customer that purchases power from the Bonneville Power Administration (BPA) for its own consumption.

Purpose

To encourage DSI customers to continue manufacturing in Washington after their power supply contracts with the BPA expire by switching to power from newly constructed power facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Direct service industry businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.16.0496(1)(a)(i) - Alternative fuel commercial vehicle tax credit

Description

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.16.0496(1)(a)(i) - Alternative fuel commercial vehicle tax credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Businesses purchasing or converting vehicles to clean alternative fuels
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.16.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Description

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

Purpose

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.16.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses installing alternative fuel infrastructure
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2024

82.16.0497 - Billing discounts provided to low-income households - credit

Description

A light and power business or a gas distribution business may take a credit against public utility tax for up to 50% of billing discounts provided to low-income households or qualified contributions to a low-income home energy assistance fund.

To qualify for the credit, the business must give billing discounts or qualifying contributions in excess of 125% of those given in fiscal year 2000 (or the first year the business provided billing discounts or qualified contributions). The total amount of credits available for all businesses is $2.5 million annually.

Purpose

To reduce energy costs for low-income persons.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.500	$2.500	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.290	$2.500	$2.500
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The annual $2.5 million credit limit will be met.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Electric and gas municipalities and corporations
Taxpayer Count:	30
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2024

82.16.0498 - Aluminum smelter purchases of power

Description

A business with gross income from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is eligible for a credit against the PU tax owed. The contract for the sale of the electricity or gas must specify that the price charged for the electricity or gas will be reduced by an amount equal to the credit.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	The aluminum industry
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.16.050(1) - Municipal utilities receipts from taxes

Description

Municipally owned or operated public utility businesses may deduct income received directly from taxes collected for their support or maintenance. Service charges collected as taxes listed on property tax official records may not be deducted.

Purpose

To avoid taxing income received from local utility taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.400	$1.460	$1.520	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.340	$1.520	$1.590
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Office of the State Auditor, Financial data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1935
Primary Beneficiaries:	Municipal utilities that finance capital construction through assessments
Taxpayer Count:	216
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2023

82.16.050(2) - Sales for resale

Description

Water, gas, or other public service distribution businesses may deduct income subject to PU tax received from reselling its commodity.

Purpose

To avoid pyramiding of the public utility tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.880	$0.920	$0.970	$1.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.850	$0.970	$1.010
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1935
Primary Beneficiaries:	Natural gas and water utilities
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2023

82.16.050(3) - Joint utility services

Description

Businesses may deduct income subject to the PU tax that are amounts paid to a subcontractor of a PU service that is jointly provided.

Purpose

To eliminate the pyramiding of the PU tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$37.920	$38.780	$39.770	$40.870
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$35.550	$39.770	$40.870
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Utility and public service companies
Taxpayer Count:	609
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2023

82.16.050(4) - Cash discounts

Description

A business may deduct cash discounts taken by customers from gross income subject to public utility tax when the business's gross income reported includes these cash discounts.

Purpose

The deduction recognizes the true value of services performed by the business.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Although taxpayers using accrual-based accounting report this deduction and therefore, experience savings, the state would not achieve revenue gains if legislation repealed the deduction. This is because taxpayers using cash basis accounting do not use the deduction; they report the actual amount received at the time of sale. Therefore, taxpayers using accrual-based accounting would switch to cash basis accounting if legislation repealed the deduction.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	53
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 with an upcoming review in 2026.

82.16.050(5) - Bad debts

Description

Businesses may deduct bad debts from the measure of PU tax if the tax was previously paid. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166).

Purpose

Provides equal tax treatment between businesses using accrual basis accounting and cash basis accounting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.720	$2.770	$2.830	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.540	$2.830	$2.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utilities taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses using accrual method of accounting and have bad debts
Taxpayer Count:	89
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 with upcoming review in 2026

82.16.050(6) - Constitutional exemptions

Description

A business may deduct amounts prohibited from taxation under the Washington State Constitution, the U.S. Constitution, or federal law from gross income subject to public utility tax.

Purpose

To avoid violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$91.490	$82.150	$96.710	$99.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation businesses
Taxpayer Count:	4,674
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.16.050(6) - Interstate transportation - in-state portion

Description

Businesses may deduct income subject to the PU tax when a trip either begins or ends outside of Washington.

Purpose

To avoid taxing transportation businesses when a trip either begins or ends outside of Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$44.830	$45.500	$46.670	$47.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$41.700	$46.670	$47.910
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Most freight commodity product terminals are located near interstate boundaries, in-state portion of interstate trips will be minimal.
- Vessels, barges, and watercraft will predominantly travel in non-Washington waters.
- Estimated in-state portion of interstate trips is 30%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Interstate transportation businesses
Taxpayer Count:	4,597
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.16.050(7) - Irrigation water

Description

Businesses may deduct income when derived from the distribution of water used for the purpose of irrigation. To qualify, the water must be distributed through an irrigation system, for irrigation purposes other than the irrigation of cannabis.

Purpose

To lower the cost of water for farming.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.240	$3.400	$3.560	$3.720
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.120	$3.560	$3.720
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1935
Primary Beneficiaries:	The farming industry
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.16.050(8) - Interstate transportation - through freight

Description

Businesses may deduct income subject to the PU tax when transporting interstate goods that stop in Washington for storage, manufacturing, or processing before being sent to its final destination.

Purpose

To avoid taxing interstate goods.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Impacts are included in the estimate for interstate transportation: in-state portion.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Shipping industry
Taxpayer Count:	520
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.16.050(9) - Interstate transportation - shipments to ports

Description

Businesses may deduct income subject to the PU tax when transporting products to an export point to be delivered outside of Washington, except when the trip either begins or ends in the same city or town.

Purpose

To avoid taxing products that are exported out of Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.220	$5.380	$5.560	$5.760
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.930	$5.560	$5.760
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- USDOT Bureau of Transportation Statistics, Average freight revenue
- National Transportation Research Center Data, Freight analysis framework

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1937
Primary Beneficiaries:	Transportation industry
Taxpayer Count:	520
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2023

82.16.050(10) - Farm products shipped to ports

Description

Transportation businesses may deduct income subject to PU tax for shipping agricultural products from a location in Washington to an interim storage facility if:

- The agricultural products stay in their original form.
- More than 96% of the facility's agricultural products were exported outside Washington by vessel the previous year.

Purpose

To avoid taxing the shipment of agricultural products for export.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.252	$0.259	$0.266	$0.273
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.237	$0.266	$0.273
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Percentage of total freight shipments that are agricultural commodities is 4%.
- Percentage of intrastate freight shipments are 57%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- USDOT Bureau of Transportation Statistics, Shipments by commodity and location

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2007
Primary Beneficiaries:	Agricultural transportation industry
Taxpayer Count:	520
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020

82.16.050(11) - Electric power exported or resold

Description

Businesses may deduct income subject to the PU tax when electrical energy is produced, sold, or transferred for resale or consumed outside of Washington.

Purpose

To avoid taxing interstate commerce and to avoid pyramiding of the public utility tax on in-state sales of electricity for resale.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$54.060	$54.790	$55.730	$56.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenue from the resale of electrical energy inside Washington. Revenue from reselling or consumption of electrical energy outside of Washington is exempt from taxation under the commerce clause and revenue and would not be realized.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$47.200	$52.370	$53.520
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Impact reflects repeal of resale of electrical energy inside Washington. The reselling or consumption of energy outside Washington is exempt under commerce clause.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Electric power businesses
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.050(12) - Nonprofit water associations

Description	Nonprofit water organizations may deduct income for amounts received by another nonprofit water organization to use for capital projects.
Purpose	Promotes capital improvements and expansion of water distribution systems operated by nonprofit associations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.830	$0.870	$0.910	$0.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.800	$0.910	$0.950
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1977
Primary Beneficiaries:	Nonprofit water associations
Taxpayer Count:	57
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2024

82.16.050(13) - Sewerage processing and disposal

Description

Sewerage collection businesses may deduct income from other sewerage collection businesses.

Purpose

To ensure that payments for the treatment or disposal of sewage are not taxed.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.850	$11.200	$11.590	$11.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.270	$11.590	$11.990
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Sewerage collection businesses
Taxpayer Count:	27
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2023

82.16.050(14) - Transit improvements for low-income and elderly

Description

Public transportation agencies are allowed a deduction from gross income subject to public utility tax for income derived from fees or charges imposed for transit services. The deduction amount must be used to adjust routes to improve access for citizens to food banks and senior services or to extend or add new routes to assist low-income citizens and seniors.

Purpose

To promote better transit services for low-income and elderly persons.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.102	$0.102	$0.102	$0.102
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.094	$0.102	$0.102
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to the unpredictable nature of this deduction, there is no growth assumed.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2006
Primary Beneficiaries:	Public transportation agencies
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.16.053 - Electric power sold in rural areas

Description

Light and power businesses may deduct income subject to the PU tax by selecting the lowest relevant option:

- A percentage of wholesale power costs paid if they have:
  - More than 17 customers per mile of line: 0%.
  - More than 11, but less than 17 customers per mile of line: 30%.
  - More than 5.5, but less than 11 customers per mile of line: 40%.
  - Less than 5.5 customers per mile of line: 50%.
- Wholesale power costs multiplied by the percentage that the average retail electric power rates for the business exceed the state average electric power rate.
- $400,000 per month.

Purpose

To reduce electricity costs in rural areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.110	$1.130	$1.150	$1.170
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.040	$1.150	$1.170
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.16.053 - Electric power sold in rural areas

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1994
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.055 - Cogeneration facilities and renewable resources

Description

Businesses producing energy may deduct amounts from PU tax equal to the cost of production if the energy is for consumption within Washington and produced by either:

- Cogeneration, which means the sequential generation of electrical or mechanical power and useful heat from the same primary energy source or fuel.
- Renewable energy resources.

This preference is only applicable to facilities where construction or installation was begun after June 12, 1980, and before January 1, 1990.

The department must determine which projects and amounts are eligible for the PU tax deductions after consultation with the utilities and transportation commission or governing bodies of locally regulated utilities.

Purpose

To encourage energy recycling and the use of renewable energy.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1980
Primary Beneficiaries:	Utility businesses
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.16.130 - Renewable energy system cost recovery

Description

A light and power business may take a credit against public utility tax for amounts paid to customers as investment cost recovery incentives for qualifying renewable energy systems.

Credit claimed for amounts paid to customers may not exceed the greater of either of the following in a fiscal year:
- $250,000.
- 1.5% of the business's taxable Washington power sales generated in calendar year 2014.

The right to earn tax credits expires June 30, 2029. Credits may not be claimed after June 30, 2030.

Approved projects receive annual incentive payments for 8 years based on specific incentive rates or until cumulative payments reach 50% of total system price, whichever occurs first. Depending on the project, the annual incentive payment is limited to up to $35,000 per participant. Total incentive payments statewide may not exceed $110 million.

Purpose

To encourage investment in renewable energy resources.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.570	$11.570	$11.570	$11.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.610	$11.570	$11.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual credit amount remains constant due to no longer accepting new applicants after June 30, 2021.

Data Sources

- Department of Revenue, Excise tax data

82.16.130 - Renewable energy system cost recovery

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	44
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and 2021 and expedited review completed in 2017

82.16.184 - Community solar incentive payments

Description

Beginning July 1, 2022, a light and power business is allowed a credit against PU tax equal to incentive payments made under the Community Solar Expansion Program.

Credit claimed for incentive payments made to a community solar project may not exceed the greater of either of the following in a fiscal year:
- $250,000.
- 1.5% of the business's taxable Washington power sales generated in calendar year 2014.

Participating community solar projects must seek approval from the Washington State University Extension Energy Program (WSU). The right to apply for precertification ends June 30, 2033. No certification may be issued after June 30, 2035.

Total statewide incentive payments may not exceed $100 million and are subject to the following biennial limits:
- For fiscal year 2023, $300,000.
- For each biennium beginning on or after July 1, 2023, $25 million.

The right to earn credits expires June 30, 2036. Credits cannot be claimed after June 30, 2037.

Purpose

To support production of community solar projects.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.300	$2.600	$2.600	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.600	$2.600	$2.600
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.16.184 - Community solar incentive payments

Assumptions

- This repeal takes effect July 1, 2024, and impacts the full year of collections in fiscal year 2025 due to credit based on approved projects.
- Based on historical data, five community solar program (CSP) systems between 70 and 199 kW and 4 CSP systems less than 70 kW will be certified in each fiscal year beginning in 2023 through 2033.
- Administrative costs for large CSPs are estimated at $20,000 and $10,000 for small CSPs.
- Energy storage systems will be included with the installation of each CSP system. The energy storage systems cost about 20% of the total price of the CSP system.

Data Sources

- Department of Revenue, Excise tax data
- Washington State University Energy Extension Program, Renewable energy repayment program data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2022
Primary Beneficiaries:	Light and power businesses
Taxpayer Count:	44
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.185 - State energy performance standard early adoption incentive program

Description

A qualifying light and power or gas distribution business (qualifying utility) is allowed a PU tax credit for both the following:

- Incentives paid to eligible owners of covered commercial buildings and multifamily residential buildings for early adoption of new energy efficiency standards.
- A portion of the qualifying utility's administrative costs.

The credit used is not to exceed the amount of PU tax due and is not refundable. The credit must be applied in the calendar year in which it is earned or within the following two calendar years.

Building owners must apply with the Department of Commerce. Once approved, building owners can receive incentive payments from participating qualifying utilities.

Purpose

Increase energy efficiency and the use of renewable fuels that reduce the amount of greenhouse gas emissions in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.470	$8.620	$13.580	$21.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.900	$13.580	$21.440
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on data provided by the Department of Commerce in 2020 and communication in 2023, PU tax credits will be claimed beginning in fiscal year 2024.
- Building owner participation will increase over time.
- The program cap will be met prior to the program end date.

82.16.185 - State energy performance standard early adoption incentive program

Data Sources

- Department of Commerce, Program data
- City of Seattle, Office of Sustainability & Environment, Seattle Energy Benchmarking
- Northwest Energy Efficiency Alliance, Commercial Building Stock Assessment

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Light and power businesses and gas distribution businesses
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.187 - Using alternative jet fuel

Description

Effective July 1, 2024, a PU tax credit is available to those using alternative jet fuel. The rules to apply for credits against B&O and PU taxes are the same; however, credits cannot be claimed against both PU tax and B&O tax for the same fuel purchased.

The credit equals $1 per gallon of alternative jet fuel that has at least 50% less CO2 equivalent emissions than conventional jet fuel that a business purchased in the prior calendar year for use in flights departing in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon.

The credit is calculated only on the portion of jet fuel considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the quarter when the Department of Ecology notifies the department that one or more facilities with cumulative production capacity of at least 20 million gallons of alternative jet fuel each year are operating in Washington. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

To claim this credit, the taxpayer must file all returns, forms, and other required information electronically with the department and complete an application for the credit. The taxpayer claiming the credit provided in this section must file a complete annual tax performance report with the department.

The department must notify those applying for the credit within 60 days of acceptance of their documentation.

This credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

Purpose

To encourage the production of alternative jet fuels in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues because the credit is not effective until July 1, 2024.

82.16.187 - Using alternative jet fuel

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The repeal is effective July 1, 2024, which is the same effective date as the credit; therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2023
Primary Beneficiaries:	Air transportation businesses
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.305 - Joint municipal utility authority

Description

Payments between or transfer of assets to or from a joint municipal utility service authority and its members are exempt from public utility taxes.

Purpose

To improve the ability of local governments to provide utility services to the public by reducing the cost of such services. However, the intent is not to expand the types of services provided by local governments or their utilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.480	$0.510	$0.540	$0.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.470	$0.540	$0.570
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Utilities receiving or sending payments to a joint municipal utility authority
Taxpayer Count:	14
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.16.315 - Electricity or gas sold to silicon smelters

Description

Persons who sell electricity, natural gas or manufactured gas to a silicon smelter are eligible to take a credit against public utility tax. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The contract for sale of electricity or gas to the silicon smelter must specify that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

Purpose

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- This contingency has yet to be met and it is believed that the investment will not occur prior to January 1, 2024.

Data Sources

- Department of Revenue, Excise tax data
- The Spokesman-Review, "Silicon smelter once proposed for Newport being build tin Tennessee." March 19, 2023

82.16.315 - Electricity or gas sold to silicon smelters

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Utility companies selling electricity and natural or manufactured gas to a silicon smelter
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.16.320 - Qualifying Grants – National emergency or state of emergency

Description

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from PU tax.

Purpose

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues during a national or state of emergency.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Future emergency situations and the provision of government-funded assistance to taxpayers is unknown, therefore these estimates are indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Recipients of government-funded grants or debt relief during a national emergency or state of emergency
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.16.325 - Hauling farm products for relatives

Description

Income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal is exempt from public utility tax.

Purpose

To provide tax relief for persons who haul farm products for their relatives.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The situations where this exemption would be applicable are believed to be quite rare. We expect the revenue impact to be minimal during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2022
Primary Beneficiaries:	Persons who haul farm products for their relatives
Taxpayer Count:	Minimal
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

82.32.045(5)(b) - Minimum to file PU tax return

Description

A business is not required to file an excise tax return with the department if the business:
- Has gross income subject to PU tax of less than $24,000 per year.
- Has gross income subject to B&O tax of less than $125,000 per year.
- Is not required to collect or pay sales tax to the department.
- And is not required to collect or pay any other tax or fee to the department.

Purpose

To reduce administrative costs for taxpayers and department.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue. PU tax does not apply to a business whose gross income, subject to PU tax, is less than $2,000 a month (RCW 82.16.040).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Tax savings are included under the impacts of the minimum income threshold - $2,000 per month exemption.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Small public service and utility businesses
Taxpayer Count:	Indeterminate
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.70.020 - Commute trip reduction credit

Description

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or PU tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure.
- Limited to $60 per employee per year.
- Limited to $100,000 each year.

The program has an annual cap of $2.75 million for both B&O and PU tax credits and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

Purpose

To encourage employers to provide financial incentives to employees for car-pooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.250	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The credit expires on July 1, 2024; a repeal would result in no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2003
Primary Beneficiaries:	Employers providing alternate commuting
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2022

82.73.030 - Commercial area revitalization contributions (main street program)

Description

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial B&O or PU tax credit.

The credit is either:
- 75% of the approved contributions made to a Main Street Program.
- 50% of the approved contributions to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

Purpose

Encourages the revitalization of downtown or neighborhood commercial areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.880	$0.880	$0.880	$0.880
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.810	$0.880	$0.880
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The estimate of future revenue impacts is based on credits used rather than credits approved.
- The total credit cap of $5 million will be met.
- The proportion of this credit claimed against PU tax and B&O tax will remain consistent.

Data Sources

- Department of Revenue, Excise tax data.

82.73.030 - Commercial area revitalization contributions (main street program)

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2005
Primary Beneficiaries:	Businesses participating in commercial area revitalization.
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

Chapter 19
Real Estate Excise Tax

82.45.010(3)(a) - Transfers by gift, devise, or inheritance

Description

Transfers of real property by gift, inheritance, or device (a will) are not subject to state or local real estate excise tax (REET).

Purpose

Gifted, inherited, or willed transfers of real property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$82.800	$96.300	$105.300	$126.800
Local Taxes	$34.900	$39.500	$44.600	$54.400

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$86.700	$105.300	$126.800
Local Taxes	$0.000	$35.600	$44.600	$54.400

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- -Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(a) - Transfers by gift, devise, or inheritance

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons acquiring real estate through a gift, devise, or inheritance
Taxpayer Count:	24,457
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with an upcoming review in 2024

82.45.010(3)(b) - Transfer on death deeds

Description

Transfers of real property through a transfer on death deed are not subject to state or local real estate excise tax.

Purpose

Provides another mechanism for tax-free transfers of real property to a beneficiary upon death by excluding transfer by transfer on death deed from the definition of sales.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.000	$1.100	$1.210	$1.450
Local Taxes	$0.500	$0.500	$0.600	$0.700

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.990	$1.210	$1.450
Local Taxes	$0.000	$0.500	$0.600	$0.700

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(b) - Transfer on death deeds

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2014
Primary Beneficiaries:	Persons acquiring real estate through a death deed
Taxpayer Count:	310
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.45.010(3)(c) - Leasehold interest transfers

Description

Leasing, subleasing, or renting real property is not subject to state or local real estate excise tax.

Purpose

Leasing or renting real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.000	$7.000	$7.600	$9.200
Local Taxes	$2.200	$2.500	$2.800	$3.400

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.300	$7.600	$9.200
Local Taxes	$0.000	$2.200	$2.800	$3.400

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons clearing title on real estate with a recorded long-term leasehold interest
Taxpayer Count:	881
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with an upcoming review in 2024

82.45.010(3)(d) - Forfeiture of interest in sale of real property

Description

Transfers of real property because of debt proceedings such as a foreclosure are not subject to state or local real estate excise tax.

Purpose

Transferring debt on real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.100	$0.200	$0.170	$0.210
Local Taxes	$0.100	$0.100	$0.100	$0.100

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.140	$0.170	$0.210
Local Taxes	$0.000	$0.100	$0.100	$0.100

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(d) - Forfeiture of interest in sale of real property

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons recording a forfeiture of interest in sale of real property
Taxpayer Count:	46
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.45.010(3)(e) - Partition by tenants in common

Description

Transferring parts of real property between multiple owners of the same property is not subject to state or local real estate excise tax.

Purpose

Transfers between owners of the same property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.700	$3.100	$3.420	$4.120
Local Taxes	$1.000	$1.200	$1.300	$1.600

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.810	$3.420	$4.120
Local Taxes	$0.000	$1.100	$1.300	$1.600

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(e) - Partition by tenants in common

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons recording a partition or real estate held by tenants in common
Taxpayer Count:	541
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with an upcoming review in 2024

82.45.010(3)(f) - Assignment of property through divorce

Description

Transfers of real property to a spouse or domestic partner because of divorce, annulment, legal separation, termination of domestic partnership, or property settlement proceedings are not subject to state or local real estate excise tax.

Purpose

Transferring real property because of divorce, annulment, legal separation, termination of domestic partnership, or property settlement proceeding is not a sale. REET is imposed on arm's-length purchases of real estate in situations where the purchase price reflects the market price. Arm's-length transactions are generally characterized as voluntary sales in an open market involving parties with equal bargaining power, which is not the case with a court ordered transfer to a spouse or domestic partner.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$71.400	$83.200	$87.300	$104.500
Local Taxes	$33.000	$37.500	$40.500	$49.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$74.900	$87.300	$104.500
Local Taxes	$0.000	$33.800	$40.500	$49.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

82.45.010(3)(f) - Assignment of property through divorce

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Persons recording an assignment of property through divorce, property settlement
Taxpayer Count:	21,262
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.45.010(3)(g) - Transfer of vendor's interest

Description

Transferring the mortgage interest in a real property to a new mortgage vendor is not subject to state or local real estate excise tax.

Purpose

Transferring the mortgage of a real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.346	$0.402	$0.435	$0.520
Local Taxes	$0.161	$0.182	$0.205	$0.248

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.360	$0.435	$0.520
Local Taxes	$0.000	$0.164	$0.205	$0.248

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(g) - Transfer of vendor's interest

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording an assignment/transfer of vendor's interest in a contract
Taxpayer Count:	142
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.45.010(3)(h) - Condemnation proceedings

Description

Transfers of real property to a governmental body because of a forced sale are not subject to state or local real estate excise tax.

Purpose

Transferring real property through "eminent domain" or condemnation proceedings is not a sale. REET is imposed on arm's-length purchases of real estate in situations where the purchase price reflects the market price. Arm-length transactions are generally characterized as voluntary sales in an open market involving parties with equal bargaining power, which is not the case with a forced sale to a governmental body.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.100	$11.800	$12.900	$15.100
Local Taxes	$2.500	$2.800	$3.200	$3.800

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.600	$12.900	$15.100
Local Taxes	$0.000	$2.500	$3.200	$3.800

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(h) - Condemnation proceedings

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording an assignment because of a condemnation proceeding
Taxpayer Count:	618
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.45.010(3)(i) - Transfer of interest to secure debt

Description

Transfers of interest in real property by acquiring a second mortgage or the sale of a mortgage is not subject to state or local real estate excise tax.

Purpose

Transferring the interest in real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.024	$0.027	$0.030	$0.037
Local Taxes	$0.011	$0.013	$0.014	$0.018

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.024	$0.030	$0.037
Local Taxes	$0.000	$0.011	$0.014	$0.018

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only seven counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(i) - Transfer of interest to secure debt

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a transfer of interest to secure debt
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.45.010(3)(j) - Foreclosure; deeds in lieu of foreclosure

Description

Transfers of real property due to a foreclosure are not subject to state or local real estate excise tax.

Purpose

Transferring real property through foreclosure is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.080	$2.420	$2.650	$3.160
Local Taxes	$0.940	$1.060	$1.200	$1.470

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.170	$2.650	$3.160
Local Taxes	$0.000	$0.960	$1.200	$1.470

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- - Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(j) - Foreclosure; deeds in lieu of foreclosure

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1953
Primary Beneficiaries:	Persons recording a transfer for foreclosure and deeds in lieu of foreclosure
Taxpayer Count:	1,018
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.45.010(3)(k) - Mortgage insurers

Description

Transfers of real property from a mortgage lender to the Veterans Administration or Federal Housing Authority are not subject to state or local real estate excise tax.

Purpose

Transferring the interest in a property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.010	$0.011	$0.013	$0.015
Local Taxes	$0.005	$0.005	$0.006	$0.007

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.010	$0.013	$0.015
Local Taxes	$0.000	$0.005	$0.006	$0.007

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only five counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(k) - Mortgage insurers

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1953
Primary Beneficiaries:	Persons recording a transfer for a mortgage insurer
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.45.010(3)(l) - Transfer where REET already paid or lease/contract began prior to 1951

Description

Transfers of real property for which REET taxes have already been paid or through a lease that began prior to 1951 are not subject to state or local real estate excise tax.

Purpose

Transferring real property as a 99-year lease is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a transfer where REET was already paid or lease/contract began prior to 1951
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with a scheduled review in 2024

82.45.010(3)(m) - Grave or cemetery lot sale

Description

Transferring real property by selling a cemetery lot is not subject to state or local real estate excise tax.

Purpose

Transferring real property as a cemetery lot is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price. It would be difficult to decide on a market price for such a small portion of real property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.165	$0.170	$0.175	$0.181
Local Taxes	$0.075	$0.077	$0.080	$0.082

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.156	$0.175	$0.181
Local Taxes	$0.000	$0.071	$0.080	$0.082

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industry revenue for cemeteries and crematoria growth rate reflected in the Statista data.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Licensing, Cemetery endowment care annual report
- Statista, Industry revenues for cemeteries and crematoria for 2012 through 2024

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a transfer for grave or cemetery lot sales
Taxpayer Count:	72
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.45.010(3)(n) - Governmental transfers

Description

Real property sold by the federal, state, or local government is not subject to state or local real estate excise tax.

Purpose

Governments are exempt from most taxes because this just transfers funds between jurisdictions. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$32.700	$38.000	$41.600	$49.700
Local Taxes	$6.800	$7.700	$8.700	$10.700

Repeal of exemption

Repealing this exemption would increase revenues; however, the federal government is constitutionally exempt from almost all state taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$34.300	$41.600	$49.700
Local Taxes	$0.000	$7.000	$8.700	$10.700

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(n) - Governmental transfers

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons recording a governmental transfer
Taxpayer Count:	1,194
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with upcoming review in 2025

82.45.010(3)(o) - Sales to regional transit authorities

Description

Transfers of real property to a regional transit authority through a sale and leaseback arrangement are not subject to state or local real estate excise tax. Regional transit authorities may sell facilities and then lease them back from the investor.

Purpose

Transferring real property for the purpose of leasing it back is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2000
Primary Beneficiaries:	Persons recording a sale to a regional transit authority
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.45.010(3)(p) - No change in beneficial owner

Description

Transfers of real property that are a mere change in form of ownership are exempt from the state and local real estate excise tax. Such transfers include those of a business wholly owned by the person making the transfer and his or her family members, provided there is no change in beneficial ownership as a result of the transfer.

Purpose

To allow the tax-free transfer of property to a business entity in circumstances where the transferor or transferors are closely related and receive ownership interests in the entity in the same proportion as their ownership in the real property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$209.600	$243.800	$266.600	$313.500
Local Taxes	$77.300	$87.300	$98.700	$113.500

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$219.600	$266.600	$313.500
Local Taxes	$0.000	$78.700	$98.700	$113.500

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(p) - No change in beneficial owner

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1993
Primary Beneficiaries:	Persons recording a sale with no change in beneficial owner
Taxpayer Count:	21,231
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.45.010(3)(q) - IRS transfers

Description

Transferring real property to form, liquidate, or reorganize a corporation or partnership is not subject to state or local real estate excise tax. This only applies to real property transfers that qualify as a nonrecognition of gain or loss transaction under the Internal Revenue Code.

Purpose

Transferring real property to form, liquidate, or reorganize a corporation or partnership is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$32.310	$37.580	$41.120	$48.660
Local Taxes	$7.210	$8.150	$9.210	$10.970

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$33.860	$41.120	$48.660
Local Taxes	$0.000	$7.340	$9.210	$10.970

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1993
Primary Beneficiaries:	Persons recording a sale because of IRS transfers
Taxpayer Count:	750
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.45.010(3)(r) - Manufactured home communities

Description

A qualified sale of a manufactured or mobile home community that takes place before January 1, 2030, is not subject to state or local real estate excise tax.

Purpose

Encourage and facilitate the preservation of existing manufactured home communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.093	$0.108	$0.119	$0.143
Local Taxes	$0.024	$0.027	$0.031	$0.037

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.097	$0.119	$0.143
Local Taxes	$0.000	$0.025	$0.031	$0.037

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only four counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(r) - Manufactured home communities

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Persons recording a sale involving a manufactured home community
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.45.010(3)(s) - Low-income housing

Description

Transfers of real property by an organization that was allocated federal low-income housing tax credits are not subject to state or local real estate excise tax.

Purpose

To support the development of affordable housing projects.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.400	$6.300	$7.000	$8.300
Local Taxes	$1.100	$1.300	$1.500	$1.800

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.700	$7.000	$8.300
Local Taxes	$0.000	$1.200	$1.500	$1.800

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(s) - Low-income housing

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2018
Primary Beneficiaries:	Persons receiving federal low-income housing tax credits
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.45.010(3)(t) - Housing for developmentally disabled persons

Description

Transfers of real property by a legal representative of a person with developmental disabilities to a qualified entity that provides residential supported living for persons with developmental disabilities are not subject to state or local real estate excise tax.

Purpose

To expand housing opportunities for persons with developmental disabilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2018
Primary Beneficiaries:	Those transferring property as a legal representative of a person with developmental disabilities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.45.010(3)(u) - Self-help housing

Description

The sale of self-help housing by an affordable homeownership facilitator to a low-income household is not subject to state or local real estate excise tax.

Purpose

Encourage the continued development of self-help housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.017	$0.020	$0.021	$0.025
Local Taxes	$0.008	$0.009	$0.011	$0.013

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.017	$0.021	$0.025
Local Taxes	$0.000	$0.008	$0.011	$0.013

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only three counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Affordable homeownership facilitators
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.45.010(3)(v) - Entities using property for low income housing

Description

Transfers of real property to a qualifying grantee who uses the property for low-income housing and qualifies for certain real and personal property tax exemptions are not subject to state or local real estate excise tax.

Purpose

To increase the availability of affordable housing for low-income persons.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.649	$0.754	$0.826	$0.926
Local Taxes	$0.182	$0.236	$0.266	$0.254

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.680	$0.826	$0.926
Local Taxes	$0.000	$0.213	$0.266	$0.254

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. No estimates are made for the three counties not reporting data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

82.45.010(3)(v) - Entities using property for low income housing

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2022
Primary Beneficiaries:	Persons transferring real property to a qualifying grantee that uses the property for low-income housing
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.45.030(3) - Foreclosure relocation assistance

Description

For real estate excise tax (REET) purposes, "total consideration paid" does not include any outstanding lien or encumbrances in favor of a governmental body or any relocation assistance provided during a foreclosure.

Purpose

REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price. Governmental liens and relocation assistance are not part of the market price of a property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Persons with outstanding liens in favor of a governmental body or those provided relocation assistance during a foreclosure
Taxpayer Count:	0
Program Inconsistency:	None Evident
JLARC Review:	Expedited review completed in 2017

82.45.190 - Second Narrows Bridge

Description

Provides a real estate excise tax exemption for the transfer of state route 16 corridor transportation systems and facilities constructed under a public-private transportation initiative.

Purpose

As originally planned, this exemption enabled the transfer of the newly constructed second bridge at the Tacoma Narrows to the private operator of the bridge without incurring real estate excise tax. More broadly, this exemption applies to any sale of transportation systems and facilities along the state route 16 corridor, including capital improvements and additions to the corridor's infrastructure, roads, bridges, equipment, park and ride lots, transit stations, transportation management systems, and other related transportation investments.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Real estate excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1998
Primary Beneficiaries:	Private operator of second Narrows Bridge
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.45.195 - Standing timber

Description

Sales of timber harvested within 30 months of a severance contract are exempt from the state or local real estate excise tax.

Purpose

Providing tax relief to the wood products industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.950	$2.310	$2.540	$3.580
Local Taxes	$0.510	$0.580	$0.650	$0.790

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.080	$2.540	$3.580
Local Taxes	$0.000	$0.520	$0.650	$0.790

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for REET transactions mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Growth rate for B&O tax mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.
- Taxpayers will save an estimated $2.4 million in state REET but pay $360,000 in B&O tax in fiscal year 2025.

Data Sources

- Department of Revenue, Excise tax data
- Department of Revenue, Estimated future property values
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2007
Primary Beneficiaries:	Those harvesting timber
Taxpayer Count:	36
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with upcoming review in 2024

Chapter 20
Retail Sales and Use Tax

36.100.090 - Baseball stadium deferral

Description

The original construction of a public baseball stadium, owned by a public facilities district, qualifies for a sales and use taxes deferral if it:

- Has a retractable roof or canopy.
- Has natural turf.

The construction of Safeco Field (now T-Mobile Park) was completed in January 2000, and the repayments of deferred sales and use taxes were completed in 2014.

Purpose

To encourage the construction of a professional baseball stadium in King County.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would not increase revenues. The public facilities district that constructed the stadium has repaid the deferred taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, no public facilities district uses this deferral.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Public facilities districts
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2022

36.102.070 - Football stadium deferral

Description

Public stadium authorities are eligible to defer sales and use taxes on the construction of:
- Professional football and soccer stadiums.
- Adjacent exhibition centers.

Deferred sales tax is repayable over 10 years, starting five years after the stadium becomes operational. Qwest Field (Now Lumen Field) and its exhibition center, which qualified for the deferral, were completed in 2002. Repayment began in 2007 and was completed in 2016.

Purpose

Encourage the construction of a professional football and soccer stadium and adjacent exhibition center in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would not increase revenues. The public stadium authority has repaid the deferred taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Currently, no public facilities district uses this deferral.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Public stadium authorities
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2022

47.01.412 - Highway 520 bridge replacement

Description

Persons involved in the SR 520 bridge replacement project may apply for a deferral of state and local sales and use taxes on project costs for:

- Site preparation.
- Construction.
- Purchased or rented machinery and equipment.

The deferred tax repayment begins the 24th year after the project is complete and continues for nine years.

Purpose

Encouraged replacement of the SR 520 bridge.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes that currently deferred taxes are due beginning the 24th year after the repeal and continuing for the next nine years. Repayment of the deferred taxes starts in 2041.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The SR 520 bridge project was completed in 2017. The first payment is due December 31, 2041.

Data Sources

Department of Revenue, Deferral data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Businesses constructing the SR 520 bridge
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review in 2020

47.46.060 - 2nd Narrows bridge

Description

Persons involved in the construction of the second bridge over Puget Sound at the Tacoma Narrows may apply for a deferral of state and local sales and use taxes on project costs for:

- Site preparation.
- Construction.
- Purchased or rented machinery and equipment.

Beginning December 31st of the 24th year following the certified completion of the project, 10% of the deferred tax must be repaid annually.

Purpose

Lowering the initial overall cost of the project and mitigating the amount of tolls necessary to fund repayment of the bonds financing construction costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes that currently deferred taxes are due beginning the 24th year after the repeal. Repayment of the deferred taxes will start in 2031.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Repealing the deferral does not affect taxpayers who have already received the deferral under existing law.
- The Tacoma Narrows Bridge project was certified in 2007. The first payment is due December 31, 2031.

Data Sources

- Department of Revenue, Deferral data

47.46.060 - 2nd Narrows bridge

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	Washington State Department of Transportation
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

47.56.878 - State route 167 and Interstate 405 corridor deferral

Description

A person involved in the construction of a state route (SR) 167 and Interstate 405 corridor project, as defined in the statute, may apply for deferral of state and local sales and use taxes owed by that person with respect to the site preparation for, the construction of, the acquisition of any related machinery and equipment that will become a part of, and the rental of equipment for use in, the projects. The department shall issue a sales and use taxes deferral certificate to qualifying applicants for state and local sales and use taxes.

The deferred taxes will be repaid beginning in the tenth year after the date the Department of Transportation notifies the department that all projects are operationally complete.

Purpose

To provide relief for construction projects aimed at improving the connection of Interstate 405 and SR 167 to address current and future traffic demand.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this deferral would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This deferral impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Deferral data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Washington State Department of Transportation
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

47.87.150 - Interstate toll bridge deferral

Description

Any person involved in the construction of an interstate toll bridge may apply for deferral of state and local sales and use taxes on the site preparation for, the construction of, the acquisition of any related machinery and equipment that will become a part of, and the rental of equipment for use in, the bridge. The department will issue a sales and use taxes deferral certificate for state and local sales and use taxes imposed on the bridge.

The deferred taxes will be repaid in the fifth year after the date the department certifies the bridge as operationally complete.

Purpose

To provide relief for construction projects aimed at replacing aging interstate toll bridges.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would not increase revenue because, currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this deferral. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Deferral data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Washington State Department of Transportation
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.050 - Personal and professional services

Description

The retail sales tax originally applied only to the sale of tangible personal property and thus, by definition, excluded services from the tax base. Since 1935, some services were added to the tax base, including services to tangible personal property (e.g., repair services) in 1939; construction in 1941; rental of tangible personal property in 1959; certain amusement and recreation activities in 1961 and 2015; and landscape maintenance, physical fitness and certain miscellaneous personal services in 1993 and 2015. Although, technically, the remaining personal and professional services are not "exempt" because they were never in the tax base, there has been some interest in the amount of revenue represented by these activities. Therefore, they are included in this report.

Purpose

The primary reasons services were excluded from retail sales tax may have included these:

- To maintain simplicity by taxing only one property class, i.e., tangible goods.
- To conform to the practice of other states at the time.
- To minimize tax administration costs by not requiring service providers to collect the tax.
- A recognition that services did not represent a substantial share of the state economy in the 1930s.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5,505.190	$5,716.800	$6,141.280	$6,612.030
Local Taxes	$3,270.700	$3,396.420	$3,648.330	$3,927.690

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5,240.390	$6,141.280	$6,612.030
Local Taxes	$0.000	$3,113.390	$3,648.330	$3,927.690

82.04.050 - Personal and professional services

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Under the service category "Banking - deposit account service packages and loan services," mortgage interest will be subject to sales tax.
- Currently, some satellite and cable services are already subject to sales tax. This includes services such as pay-per-view for satellite providers. Most of the potential revenue from imposing sales tax on satellite and cable would be from subscription fees for channel access.
- Due to federal laws, a local sales tax cannot be imposed on satellite television subscriptions. As a result, this estimate does not include estimates for local sales tax on satellite television subscriptions.
- Lower compliance factors applied for some industries.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census Bureau, 2012 Economic Census data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1935
Primary Beneficiaries:	Individuals and businesses purchasing personal and professional services
Taxpayer Count:	170,000
Program Inconsistency:	None evident
JLARC Review:	Reviews completed on various sections within the statute

82.04.050(1)(a)(iv); 82.04.190(1)(d) - Ferrosilicon

Description

The definition of retail sale excludes property used in producing ferrosilicon, which is then used to make magnesium. These sales are classified as wholesale transactions. The exempt items must be used primarily to create a chemical reaction with an ingredient of ferrosilicon.

Purpose

To encourage magnesium production businesses to locate in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Businesses using ferrosilicon
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2021

82.04.050(1)(a)(v) - Competitive telephone service

Description

Purchases of property provided to consumers as part of a competitive telephone service are exempt from retail sales and use tax.

Purpose

Avoids taxing the same product twice.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$53.760	$60.570	$68.240	$76.890
Local Taxes	$24.180	$27.240	$30.690	$34.580

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$55.520	$68.240	$76.890
Local Taxes	$0.000	$24.970	$30.690	$34.580

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the compound growth rate of telecommunication expenditures between 2019 and 2022.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Property provided to consumers as part of a competitive telephone service includes telephones, routers, and modems.
- Approximately 25% of total telecommunication expenditures are for resale.

Data Sources

- Department of Revenue, Excise tax data
- IMPLAN, Regions commodity industry demand, 2021

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1981
Primary Beneficiaries:	Providers of telecommunication services
Taxpayer Count:	552
Program Inconsistency:	None evident
JLARC Review:	Expedited review in 2013 with an upcoming review in 2025

82.04.050(1)(a)(vi) - Extended warranties

Description

Purchases made to honor an extended warranty do not meet the criteria of a retail sale and are exempt from retailing B&O tax and state and local sales tax. Instead, these purchases are subject to wholesale B&O tax.

Purpose

Ensures buyers do not pay sales tax on replacement items or parts covered by an extended warranty.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$46.990	$48.980	$49.980	$51.980
Local Taxes	$21.110	$21.900	$22.680	$23.500

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$44.980	$49.980	$51.980
Local Taxes	$0.000	$20.070	$22.680	$23.500

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The U.S.'s proportion of worldwide warranty claims is the same as the U.S.'s gross domestic product as a percent of worldwide gross domestic product.
- The U.S.'s proportion of worldwide warranty claims for warranties sold by U.S. businesses is the same as the U.S.'s gross domestic product as a percent of worldwide gross domestic product.
- Washington warranty claims as a percentage of U.S. warranty claims are the same as Washington's population as a percentage of the U.S. population.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Warranty Week, Nineteenth Annual Product Warranty Report, https://www.warrantyweek.com/archive/ww20220324.html
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.050(1)(a)(vi) - Extended warranties

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1955
Primary Beneficiaries:	Purchasers of extended warranties
Taxpayer Count:	50,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.050(2)(a) - Laundry services for nonprofit healthcare facilities

Description

Charges for laundry service for nonprofit healthcare facilities are exempt from sales tax. As a result, laundry businesses providing services for nonprofit healthcare facilities are subject to B&O tax under the service classification.

Purpose

Indirectly reduces the cost of healthcare.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.073	$0.073	$0.072	$0.082
Local Taxes	$0.039	$0.041	$0.042	$0.044

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.064	$0.072	$0.082
Local Taxes	$0.000	$0.037	$0.042	$0.044

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1973
Primary Beneficiaries:	Nonprofit health care facilities
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2021

82.04.050(2)(a) - Self-service laundry facilities

Description

The definition of retail sale excludes charges for using of self-service laundry facilities. Businesses providing laundry machines on an individual-use basis do not collect sales tax but are subject to the B&O tax under the service classification.

Purpose

Equalizes the tax treatment of coin-operated laundry facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.160	$5.273	$5.387	$5.503
Local Taxes	$2.500	$2.555	$2.610	$2.667

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.360	$2.631	$2.687
Local Taxes	$0.000	$1.230	$1.371	$1.401

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the average growth rate for self-service laundry facilities service and other activities B&O tax.
- Compliance of collecting sales tax at coin-operated laundry facilities in places such as apartment complexes is 13% each fiscal year after repeal.

Data Sources

- Department of Revenue, Excise tax data
- U.S. Energy Administration, Appliances in U.S. home, by owner or renter status
- U.S. Census Bureau, Housing tenure
- Planetlaundry.com, "Taking a New Route"

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005
Primary Beneficiaries:	Individuals and families using self-service laundry facilities
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2023

82.04.050(2)(d) - Janitorial services

Description

Retail sales tax does not apply to sales of janitorial services. The statute excludes janitorial services from the definition of retail sales, making them non-retail services. Thus, a business providing janitorial services is subject to the service and other B&O tax classification of 1.5%. The customer is not subject to retail sales tax.

Janitorial services are defined as cleaning and caretaking of buildings and structures. This includes washing windows and walls, cleaning and waxing floors, and cleaning the building's rugs, drapes, and upholstery.

Purpose

To recognize that cleaning buildings does not meet the current definition of retail sale since the activity is oriented toward merely preserving structures in their present condition rather than changing the structure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$58.474	$60.721	$63.419	$66.438
Local Taxes	$32.493	$33.741	$35.242	$36.919

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$55.661	$63.419	$66.438
Local Taxes	$0.000	$30.929	$35.242	$36.919

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census Bureau, 2012 Economic Census data

82.04.050(2)(d) - Janitorial services

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2000
Primary Beneficiaries:	Janitorial service businesses and their customers
Taxpayer Count:	18,300
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.050(3)(d)(i) - Horticultural services for farmers

Description

The definition of retail sales excludes charges for horticultural services to farmers. Sales tax is not collected on services related to the cultivating vegetables, fruits, grains, field crops, ornamental horticulture, nursery products, soil preparation, crop cultivation, and harvesting services.

Purpose

To support the farmers and the agricultural industry and clarify the taxability of these activities in light of the extension of sales tax to landscaping services in 1993.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.420	$18.290	$19.210	$20.170
Local Taxes	$5.040	$5.300	$5.550	$5.830

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.770	$19.210	$20.170
Local Taxes	$0.000	$4.420	$5.550	$5.830

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth is 5% based on historical agricultural expense data from the U.S. Department of Agriculture.
- Local revenue estimates use the rural average local sales and use tax rate of 1.89%.
- An estimated 70% of agricultural custom work expenses are for horticultural services performed for farmers.

Data Sources

- U.S. Department of Agriculture, Census of Agriculture data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1993
Primary Beneficiaries:	Farmers who receive horticultural services
Taxpayer Count:	5,900
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.04.050(3)(d)(ii) - Tree trimming under power lines

Description

The definition of retail sales excludes charges for pruning, trimming, repairing, removing, and clearing trees and brush near electric transmission or distribution lines or equipment. To qualify, the work performed must be by or under the direction of an electric utility.

Purpose

To clarify the taxability of these activities in light of the extension of sales tax to landscaping services in 1993, these services are not akin to landscaping but are done out of necessity to keep power lines clear of interference from trees and brush.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.860	$7.240	$7.650	$8.080
Local Taxes	$3.800	$4.010	$4.239	$4.480

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.640	$7.650	$8.080
Local Taxes	$0.000	$3.340	$4.240	$4.480

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the five-year average growth rate of service B&O taxable for these activities.
- These activities are currently subject to B&O tax under the service classification.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

82.04.050(3)(d)(ii) - Tree trimming under power lines

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1995
Primary Beneficiaries:	Businesses that prune trees and brush under electric power transmission lines and the power companies that contract for their services.
Taxpayer Count:	80
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013

82.04.050(6)(a)(i)-(ii) - Custom computer software

Description

The definition of a retail sale excludes charges for customized computer software and customizing prewritten computer software. Instead, software customization services are subject to B&O tax under the service & other activities classification.

Purpose

To reflect the production of customized software is considered a professional service.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$135.020	$140.230	$146.440	$153.350
Local Taxes	$60.800	$63.100	$66.000	$69.100

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$89.910	$146.440	$153.350
Local Taxes	$0.000	$57.900	$66.000	$69.100

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the total taxable B&O activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census Bureau, 2012 Economic Census data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Buyers of custom and customized canned software
Taxpayer Count:	11,500
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2023

82.04.050(10) - Labor and services used to construct and repair public roads

Description

The definition of retail sales excludes charges for labor and services performed on public roads and transportation facilities owned by local jurisdictions or the federal government.

A contractor for the federal government or a local jurisdiction must pay sales and use taxes on materials incorporated into the project. The exclusion does not extend to roads owned by the state. Sales and use taxes are due on 100% of road construction on state roads.

Purpose

The state cannot directly tax the federal government, but it can tax contractors who work for the federal government on the value of the materials they incorporate into the project. The impact of the sales and use taxes on materials is indirectly passed on to the federal government. The exemption for labor and services for local road construction helps reduce local jurisdictions' costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$54.310	$54.610	$56.110	$57.010
Local Taxes	$30.100	$30.300	$31.100	$31.600

Repeal of exemption

Repealing this exemption would increase revenues. Most of the impact is from local government, which would be taxed on the total contract amount.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.510	$28.060	$42.780
Local Taxes	$0.000	$2.500	$15.500	$23.700

Assumptions

- This repeal takes effect July 1, 2024, and impacts five months of collections in fiscal year 2025.
- The change in tax treatment would not apply to contracts executed before January 1, 2024, except for change orders that increase the project's cost.
- As per discussions with the Department of Transportation, assume the following:
  - 20% of road construction contract dollars in existence in fiscal year 2025 will be newly created on or after January 1, 2024.
  - 50% of road construction contract dollars in existence in fiscal year 2026 will be newly created on or after January 1, 2025.
  - 75% of road construction contract dollars in existence in fiscal year 2027 will be newly created on or after January 1, 2026.
  - 100% of road construction contract dollars in existence in all fiscal years thereafter will be newly created on or after January 1, 2028.

- This estimate only includes potential revenue from local public road construction.
- It is unknown if the state could collect sales and use taxes on federal road construction. Therefore, this estimate does not include potential revenue from construction on federal roads.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Washington Department of Transportation.

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1943
Primary Beneficiaries:	The U.S. government and Washington cities and counties
Taxpayer Count:	604
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010 and expedited review completed in 2020

82.04.050(11) - Feed and seed

Description

The definition of retail sales excludes sales of feed and seed used in the commercial production of any agricultural commodity. The same statute exempts feed and seed sold to landowners participating in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington Department of Fish and Wildlife.

Purpose

To support the agricultural industry. Also, feed and seed are similar to component parts (and therefore are purchased for resale) because they are absorbed into or become an integral part of an agricultural product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$85.490	$93.070	$96.800	$100.670
Local Taxes	$25.870	$26.910	$27.980	$29.100

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$85.320	$96.800	$100.670
Local Taxes	$0.000	$22.420	$27.980	$29.100

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Annual growth of 4% based on average purchases from last the five years.

Data Sources

- U.S. Department of Agriculture, Farm production expenditures annual summaries

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1951
Primary Beneficiaries:	Farmers and the vendors who supply feed and seed to farmers
Taxpayer Count:	Over 20,000 farms
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2018

82.04.050(11) - Fertilizer and chemical sprays

Description

The definition of retail sales excludes sales of chemical sprays and washes for the post-harvest treatment of fruit, sales of fertilizer and spray materials when used in the commercial production of any agricultural commodity. The same statute exempts fertilizer and spray sold to landowners participating in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington Department of Fish and Wildlife.

Purpose

To support the agricultural industry. Fertilizer is similar to a component part (and therefore purchased for resale), because it is absorbed into or becomes an integral part of an agricultural product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$72.800	$76.440	$79.950	$83.850
Local Taxes	$21.050	$22.100	$23.110	$24.240

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$70.070	$79.950	$83.850
Local Taxes	$0.000	$18.410	$23.110	$24.240

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Supply shortages and fuel costs have increased the prices of fertilizers, herbicides, and other agricultural chemicals, leading to a 5% increase in yearly expenditures.

Data Sources

- U.S. Department of Agriculture (USDA), 2017 Agriculture Census
- USDA, Farm Production Expenditures summaries

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1951
Primary Beneficiaries:	Agricultural producers
Taxpayer Count:	Over 40,000 Washington farms, but the actual taxpayer count is unknown
Program Inconsistency:	The sales tax exemption helps to encourage the use of fertilizers and chemical sprays in agriculture. However, Chapter 70.95C RCW implements a program directed toward the reduction of hazardous substances, which can include agricultural fertilizers and pesticides that have adverse environmental impacts
JLARC Review:	Full review completed in 2010 and expedited review completed in 2018

82.04.050(11) - Pollination agents

Description

The definition of "retail sale" excludes sales of agents for enhanced pollination including insects such as bees to persons or farmers participating in certain habitat development/conservation programs, or farmers for the purpose of producing any agricultural product for sale.

Purpose

To aid certain sectors of the agricultural industry reliant on pollination agents to produce agricultural products (such as the alfalfa industry) and make those agricultural sectors more competitive with competitors in other countries.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.172	$0.174	$0.175	$0.177
Local Taxes	$0.050	$0.050	$0.051	$0.051

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.160	$0.175	$0.177
Local Taxes	$0.000	$0.046	$0.051	$0.051

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Farm production expenses expected to increase 1% annually.
- Most farmers rent honeybee hives. Rental hives are not subject to sales tax, so this exemption covers bees purchased for pollination.
- Leaf cutter bees perform pollination and nest in the ground; therefore, must be purchased annually.

Data Sources

- U.S. Department of Agriculture, Economic Research report

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1953
Primary Beneficiaries:	Farmers that purchase leaf-cutter bees for pollination purposes
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.04.050(12) - Labor and services used to construct and repair federal government structures

Description

Charges made for labor and services in connection with building, repairing or improving new or existing structures for the federal government or a local housing authority is not subject to sales and use taxes. Also excluded are charges for moving earth and clearing land for these jurisdictions. The contractor must pay sales and use taxes on materials incorporated into these projects.

Purpose

The state cannot directly tax the federal government, but it can tax contractors who do work for the federal government on the value of the materials they incorporate into the project. The federal government indirectly pays the sales and use taxes through increased costs from contractors. The exemption for labor and services for local housing authorities helps reduce the cost for local jurisdictions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$96.100	$96.100	$96.100	$96.100
Local Taxes	$34.500	$34.500	$34.500	$34.500

Repeal of exemption

Repealing this exemption would not increase revenues. Most of the impact represents federal construction which is constitutionally exempt at the federal level.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No revenues realized if the state law is repealed. The construction and repair on federal government structures are constitutionally exempt.

Data Sources

- Washington State Department of Transportation, Construction data
- FedSpending.org, Government contracts

82.04.050(12) - Labor and services used to construct and repair federal government structures

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1975
Primary Beneficiaries:	The U.S. government and municipal housing authorities
Taxpayer Count:	120
Program Inconsistency:	None evident
JLARC Review:	Expedited review in 2012 with an upcoming review in 2025

82.04.050(13) - RTA maintenance service agreements

Description

Tangible personal property, labor, or services provided by a transit agency to a regional transportation authority (RTA) pursuant to a maintenance contract are exempt from sales and use taxes. This applies to items installed in bus or rail transportation equipment.

Purpose

To facilitate regional transportation and clarify the application of sales tax to the RTA.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2005
Primary Beneficiaries:	Regional Transit Authority
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2016 and 2020

82.04.062 - Precious metals and monetized bullion

Description

Sales of precious metal and monetized bullion are exempt from sales tax.

Purpose

To provide tax relief to bullion dealers who compete with dealers in other states who may not collect sales tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$16.443	$17.096	$17.770	$18.457
Local Taxes	$7.395	$7.688	$7.991	$8.300

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$15.671	$17.770	$18.457
Local Taxes	$0.000	$7.047	$7.991	$8.300

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Sellers and purchasers of precious metal and monetized bullion
Taxpayer Count:	71
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 with an upcoming review in 2024

82.04.192(3)(b)(i) - Digital automated service - primarily human effort

Description

Digital automated services are classified as retail sales and are subject to retailing B&O tax. However, digital goods that primarily represent the application of human effort and the human effort originated after the customer requested the service, such as a digitally delivered engineering report prepared primarily through the application of an engineer's effort, are excluded from this definition of digital goods and are instead subject to the service and other activities B&O tax.

This exclusion does not apply to amounts received by photographers for taking photographs transferred digitally to the customer if the customer is the end user. These payments are considered to be for the sale of digital goods and are subject to sales taxes and retailing B&O tax.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues, resulting from a decrease in B&O tax revenue and an increase in sales tax revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Repealing this preference would have a large, but indeterminate impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Buyers and sellers of professional services
Taxpayer Count:	Large but indeterminate
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(ii) - Digital automated service - loaning or transferring money, or transferring financial instruments

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes the loaning or transferring of money or the purchase, sale, or transfer of financial instruments, including cash, accounts receivable and payable, loans and notes receivable and payable, debt securities, equity securities, as well as derivative contracts such as forward contracts, swap contracts, and options. As a result, income from these activities is not subject to sales tax.

Sales tax may apply if the service is bundled with a taxable service or product offered exclusively in connection with a taxable digital product.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$462.210	$479.980	$501.320	$525.180
Local Taxes	$207.860	$215.850	$225.440	$236.170

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$334.650	$381.310	$399.460
Local Taxes	$0.000	$197.860	$225.440	$236.170

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- Amounts in this estimate only include 70% of the income reported under service and other activities B&O tax by taxpayers with NAICS starting with 523 or 525. These amounts could include income from sources not relevant to this estimate. Additionally, relevant results which do not meet the above criteria are not included in this estimate.

- Under current law, 23% of the impacted population pays the specified financial institutions surtax.
- Under current law, impacted taxpayers pay the service and other activities B&O tax rate of 1.75%.
- 14.3% of the revenue collected from the 1.75% rate is deposited into the Workforce Education Investment Account.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Purchasers and sellers of financial instruments and those transferring money
Taxpayer Count:	3,400
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(iii) - Digital automated service - dispensing cash or items from a machine

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes dispensing cash or physical items from a machine. As a result, dispensing cash or physical items from a machine are not subject to sales tax.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.580	$10.990	$11.480	$12.030
Local Taxes	$4.760	$4.940	$5.160	$5.410

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.640	$8.700	$9.110
Local Taxes	$0.000	$4.530	$5.160	$5.410

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Fee income from automated teller machines (ATM) is the only revenue source included in this estimate.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- There are 6,689 ATMs in Washington.
- The number of ATMs across the globe remain stable. There is no increase in ATMs.
- Average yearly fee income per ATM for 2022 is $17,228.
- Approximately 29% of the ATMs in the U.S. are owned by banks.
- Banks are subject to the specified financial institutions surtax under current law.

82.04.192(3)(b)(iii) - Digital automated service - dispensing cash or items from a machine

Data Sources

- Economic and Revenue Forecast Council, March 2023 Forecast
- University of North Florida - Cetner for Economic and GIS Research, ATM data
- Bankrate.com, "Bank overdraft fees tumble to 13-year low while ATM fees are back on the rise."
- EnterpriseAppsToday.com, "Some Crucial ATM Statistics To Understand Its Expansion Worldwide In The Banking Sector."

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2009
Primary Beneficiaries:	Individuals who withdraw cash from an ATM
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(iv) - Digital automated service - payment processing services

Description

Digital automated services are classified in statute as retail sales. However, statute excludes payment processing services, such as electronic credit card processing activities, from the definition of "digital automated services." As a result, payment processing services are not subject to sales tax.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$131.010	$136.040	$142.090	$148.850
Local Taxes	$58.910	$61.180	$63.900	$66.940

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$96.110	$109.500	$114.720
Local Taxes	$0.000	$56.080	$63.900	$66.940

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activities growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- Under current law, 18% of the impacted population pays the specified financial institutions surtax.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.192(3)(b)(iv) - Digital automated service - payment processing services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses which participate in payment processing.
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(v) - Digital automated service - parimutuel wagering and handicapping contests

Description

Digital automated service are retail sales. However, the definition of digital automated services excludes parimutuel wagering and handicapping contests. As a result, parimutuel wagering and handicapping contests as authorized are exempt from sales tax.

Purpose

To decrease costs for management of online gambling.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Online software betting vendors
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(vi) - Digital automated service - telecommunications and supporting services

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes telecommunications services and ancillary services. While not taxable as digital automated services, telecommunications services and ancillary services are retail sales. Charges for these services are subject to sales tax.

Purpose

To decrease costs for telecommunications and supporting services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would have an indeterminate impact on revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this bill is indeterminate due to the difficulty with separating digital automated service from other service taxable income.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses who participate in digital automated travel agent services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(vii) - Digital automated service - Internet and Internet access

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes the internet and internet access. As a result, charges for the internet and internet access are not subject to sales tax.

Purpose

To decrease costs for internet and internet services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$184.520	$199.220	$215.090	$232.220
Local Taxes	$82.980	$89.590	$96.730	$104.430

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$146.690	$172.770	$186.530
Local Taxes	$0.000	$82.120	$96.730	$104.430

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

Data Sources

- Economic Revenue and Forecast Council March 2023 Forecast.
- IBISWorld.com, Internet service providers data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Customers receiving internet services
Taxpayer Count:	7.5 million
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(ix) - Digital automated service - online education

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes online educational programs provided by either:

- A public or private elementary or secondary school.
- An institution of higher education as defined in sections 1001 or 1002 of the federal higher education act of 1965 (Title 20 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. An online educational program must encompass the institution's accreditation.

As a result, charges for online educational programs, as described above, are not subject to sales tax.

Purpose

Decrease taxes for online educational programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would have an indeterminate impact on revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this bill is indeterminate but likely minimal due to minimal taxpayer savings.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Private and public schools, and qualifying institutions of higher education
Taxpayer Count:	475
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(x) - Digital automated service - live presentations

Description

Digital automated services are classified as retail sales, for the purpose of the B&O tax. However, live presentations via the Internet or telecommunications equipment are excluded from this definition and are subject to service and other activities B&O tax.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$199.350	$207.010	$216.210	$226.500
Local Taxes	$89.650	$93.090	$97.230	$101.860

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$152.410	$173.680	$181.930
Local Taxes	$0.000	$85.330	$97.230	$101.860

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- 34% of Washington taxpayers perform webinars.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- On average, taxpayers will perform 34 webinars per year, have an average attendance of 39 students per webinar, and charge an average of $100. Of these webinars, 78% are assumed to meet the definition of “live presentation”.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 Forecast
- CloudIncome.com, Webinar Statistics and Facts 2023
- CostOwl.com, "How Much Does it Cost to Host Webinars."
- Employment Security Department, Employment data

82.04.192(3)(b)(x) - Digital automated service - live presentations

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Providers and users of live-online presentations
Taxpayer Count:	57,777
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(xi) - Digital automated service - travel agent services

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes travel agent services, including online travel services, and automated systems used by travel agents to book reservations. As a result, charges for these services are not subject to sales tax.

Purpose

To decrease taxes for travel agent services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.460	$8.800	$9.170	$9.560
Local Taxes	$3.800	$3.960	$4.120	$4.300

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.480	$7.360	$7.690
Local Taxes	$0.000	$3.630	$4.120	$4.300

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

Data Sources

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council March 2023 Forecast

82.04.192(3)(b)(xi) - Digital automated service - travel agent services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses providing travel agent services electronically
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(xii) - Digital automated service - online marketplace activities and services

Description

Digital automated services are retail sales. However, the definition of digital automated services excludes online marketplace related activities, which are services that allow the recipient of the service to make online sales of products or services, digital or otherwise, using provider's web site. Services using the recipient's website are also excluded, but only if the provider's technology is used to create or host the recipient's site, or to process orders from customers using the recipient's site. As a result, income from these activities is not subject to sales tax.

Purpose

To decrease taxes for online marketplace activities and services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$263.010	$273.580	$284.950	$297.140
Local Taxes	$118.280	$123.030	$128.140	$133.630

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$195.214	$222.179	$232.077
Local Taxes	$0.000	$112.780	$128.140	$133.630

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local sales tax estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- Amounts used in this estimate are based on service and other activities B&O tax reported by known online marketplace businesses. It is possible these amounts include revenue from other activities. Additionally, it is possible companies performing these activities were not included in this list.

Data Sources

- Department of Revenue, Excise tax returns
- Economic and Revenue Forecast Council, March 2023 forecast

82.04.192(3)(b)(xii) - Digital automated service - online marketplace activities and services

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Users and providers of online marketplace activities and services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(xiii) - Digital automated service - advertising services

Description

Digital automated service are retail sales. However, the definition of digital automated services excludes advertising services. Advertising services means:

- All services directly related to the creation, preparation, production, or the dissemination of advertisements.
- Advertising services include layout, art direction, graphic design, mechanical preparation, production supervision, placement, and rendering advice to a client concerning the best methods of advertising that client's products or services.
- Advertising services also include online referrals, search engine marketing and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of web site traffic for purposes of determining the effectiveness of an advertising campaign.
- Advertising services do not include web hosting services and domain name registration.

As a result, advertising services, as described above are not subject to sales tax.

Purpose

To decrease costs for advertising services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$285.190	$296.660	$308.980	$322.200
Local Taxes	$128.250	$133.410	$138.950	$144.900

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$220.630	$250.670	$261.410
Local Taxes	$0.000	$122.290	$138.950	$144.900

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

82.04.192(3)(b)(xiii) - Digital automated service - advertising services

Data Sources

- Economic Revenue and Forecast Council, March 2023 forecast
- Statista, Online Advertising Revenue in the United States
- U.S. Census Bureau, Population Division
- IAB.com, Internet Advertising Revenue Report 2021

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Customers purchasing items that include advertising services.
Taxpayer Count:	7.5 million
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(xiv) - Digital automated service - storage, hosting and backup

Description

Digital automated services are classified as retail sales, for the purpose of the B&O tax and the sales and use taxes. However, the mere storage of digital products, digital codes, computer software, or master copies of software is excluded from this definition and is instead subject to the service and other activities B&O tax.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$90.080	$93.540	$97.700	$102.350
Local Taxes	$40.510	$42.070	$43.940	$46.030

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$36.570	$43.270	$47.040
Local Taxes	$0.000	$38.560	$43.940	$46.030

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local sales tax estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

Data Sources

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023 Forecast
- U.S. Census Bureau, Washington Quick Facts: Computer and Internet Access in the United States
- International Telecommunications Union, Worldwide internet usage statistics
- IBIS World, Internet Hosting Services in the US - Market Size, Industry Analysis, Trends and Forecasts (2023-2028)
- Statista, Annual Spending on Cloud IT Infrastructure Worldwide from 2013 to 2016

82.04.192(3)(b)(xiv) - Digital automated service - storage, hosting and backup

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Purchasers of storage, hosting and backup services
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.192(3)(b)(xv) - Digital automated service - data processing

Description

Digital automated services are classified as retail sales and are subject to retailing B&O tax. However, digital automated services exclude data processing services from the definition of digital automated services, so they are instead subject to the service and other activities B&O tax classification. Data processing services includes automated services to extract information from customer-supplied data including check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

Any services beyond the bare processing itself would disqualify an activity.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$21.964	$22.808	$23.822	$24.956
Local Taxes	$0.000	$10.257	$10.713	$11.223

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$17.140	$19.135	$20.045
Local Taxes	$0.000	$9.402	$10.713	$11.223

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023, forecast.
- Local sales tax estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- This estimate reflects the service and other activities B&O tax amounts reported by taxpayers assigned NAICS 541214 (Payroll Services). It is possible this amount includes services which qualify for this exemption as well as unrelated amounts. It is also likely payroll processing services are performed by businesses not assigned to this NAICS code, they were not captured in this estimate.

- Data for taxpayers performing check processing, image processing, survey processing, form processing, and claim processing was not able to be identified by using NAICS codes as many of these services are bundled with other activities. Taxable amounts for these services were not included in this estimate and these taxpayers were not included in the taxpayer count.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Data processing businesses
Taxpayer Count:	150
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.04.213; 82.04.050(11)(b) - Christmas tree production

Description

Items purchased to produce plantation Christmas trees are exempt from sales and use taxes because plantation Christmas trees are included in the definition of agricultural products.

Purpose

To recognize that production of plantation Christmas trees is similar to the production of other agricultural products.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.783	$0.812	$0.842	$0.873
Local Taxes	$0.226	$0.235	$0.243	$0.252

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.774	$0.842	$0.873
Local Taxes	$0.000	$0.215	$0.243	$0.252

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is compound annual growth rate of 7% based on chemical, fertilizer and labor expenditures from U.S. Census of Agriculture and Agrochemical market report.
- Christmas trees cost $15.23 in taxable expenditures from planting to harvest.
- Approximately 535,000 Christmas trees harvested in Washington.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Pacific Northwest Christmas Tree Association, Facts at a glance
- U.S. Department of Agriculture, Farm production expenditure data
- Y!finance, Agrochemicals market report summary

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1987
Primary Beneficiaries:	Growers of plantation Christmas trees
Taxpayer Count:	440 growers
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.08.010(1)(a) - Trade-ins

Description

The definition of selling price excludes the value of trade-ins. This means sales tax is collected on the price after the value of the trade-in is deducted. To qualify, the used items must be accepted by the vendor and be of "like-kind." For example, a person purchasing a new French horn may trade in a used trombone since both are musical instruments.

Purpose

To encourage purchases of new items, especially motor vehicles.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$254.130	$263.670	$272.980	$282.620
Local Taxes	$109.660	$113.780	$117.800	$121.960

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$241.700	$272.980	$282.620
Local Taxes	$0.000	$104.300	$117.800	$121.960

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1984
Primary Beneficiaries:	Buyers of motor vehicles
Taxpayer Count:	1,100
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with an upcoming review in 2023

82.08.010(1)(b) - Cash discounts

Description

The selling or sales price of a retail sale does not include cash, term, or coupon discounts taken by a purchaser and not reimbursed to the seller by a third party. These discounts are deductible from the selling or sales price when determining the amount of sales tax to collect.

Purpose

To avoid requiring sellers to remit or pay tax on amounts they did not receive.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$29.700	$30.900	$31.990	$33.230
Local Taxes	$12.900	$13.400	$13.900	$14.400

Repeal of exemption

Repealing this exclusion would not increase revenues. Businesses deduct cash discounts as an accounting convenience and would likely alter their method of reporting tax if the exclusion were repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- A repeal of this exemption results in no revenue impact.

Data Sources

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee, Report 09-11: 2009 Full Tax Preference Performance Reviews

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Businesses that offer cash discounts to purchasers
Taxpayer Count:	3,670
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009

82.08.0203 - Trail grooming services

Description

Sales of trail grooming services to Washington or nonprofit corporations are not subject to sales tax. Trail grooming means the activity of snow compacting, snow redistribution, or snow removal on state-owned or privately owned trails.

Purpose

To provide higher quality and safer cross country ski trails in Washington and to promote tourism.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.227	$0.235	$0.244	$0.252
Local Taxes	$0.066	$0.068	$0.070	$0.073

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.216	$0.244	$0.252
Local Taxes	$0.000	$0.062	$0.070	$0.073

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Washington Parks and Recreation Commission, Trail grooming and snow removal budget fiscal year 2023.

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	State of Washington agencies, non-profit and for profit organizations that operate cross-country ski and snowmobile trail grooming and snow removal services.
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.08.0205; 82.12.0205 - Waste vegetable oil used in production of biodiesel

Description

Waste vegetable oil sold to and used by a person to produce biodiesel for personal use is exempt from the sales and use taxes.

Purpose

To support production of alternative fuels.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.888	$0.944	$1.003	$1.067
Local Taxes	$0.399	$0.424	$0.451	$0.480

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.865	$1.003	$1.067
Local Taxes	$0.000	$0.389	$0.451	$0.480

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the compound annual growth rate of 6.3% reflected in used cooking oil market report.
- Value of waste vegetable oil is $3.3 per gallon.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- U.S. Department of Agriculture Energy, Biodiesel energy data
- U.S. Energy Information Administration, Biodiesel data
- The International Market Analysis Research and Consulting Group, Used cooking oil market data
- Fortune Business Insights, Used cooking oil market size

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Small scale biodiesel producers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0206 - Working families' tax credit

Description

The "Working Families' Tax Credit" (WFTC) is a credit in the form of a refund of sales and use taxes provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the ETIC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual's income and number of qualifying children. The maximum credits are:

- $300 for eligible persons with no qualifying children.
- $600 for eligible persons with one qualifying child.
- $900 for eligible persons with two qualifying children.
- $1,200 for eligible persons with three or more qualifying children.

The minimum payment is $50, regardless of the number of qualifying children.

The credit amounts will be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, U.S. Department of Labor.

For payments based on tax year 2022, the credit amounts are reduced, rounded to the nearest dollar as follows:

- For eligible persons with no qualifying children, beginning at $2,500 of income below the federal phase-out income for the prior year, by 12.0% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with one qualifying child, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 12.0% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with two qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 18.0% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 24.0% per additional dollar of income until the minimum credit amount is reached.
- The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

Purpose

To reduce the tax burden on low-income households.

82.08.0206 - Working families' tax credit

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$141.000	$156.000	$171.000	$188.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$156.000	$171.000	$188.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 12 months of collections in fiscal year 2025.
- Growth will increase by 10% each fiscal year.

Data Sources

- Department of Revenue, Working Families' tax credit data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2008 with funding effective in 2023
Primary Beneficiaries:	Low-income households in Washington
Taxpayer Count:	200,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0207; 82.12.0207 - Adaptive veteran housing

Description

An exemption in the form of a refund may be granted for the state sales and use taxes paid on materials and labor used to construct adaptive housing for disabled veterans.

The refund amount is capped at $2,500 per project. The total of all refunds paid in each fiscal year is capped at $125,000.

Purpose

To provide specific financial relief for disabled veterans.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Refund data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Disabled veterans
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Upcoming review scheduled in 2025

82.08.0208; 82.12.0208(1) - Digital codes

Description

Digital codes providing access to exempt digital goods are exempt from sales and use taxes.

Purpose

To promote uniformity, consistency, and ease of administration in the tax code.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would have an indeterminate impact on revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this exemption is indeterminate but believed to be minimal as there is insufficient data to reliably calculate a value.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Buyers and sellers of codes which provide access to digital goods.
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.08.0208(2); 82.12.0208(2) - Digital goods or automated services for the public

Description

Purchases of digital goods and digital automated services are exempt from sales and use taxes when acquired for the purpose of making them available to the general public at no charge.

Purpose

Promotes fairness and consistency in the tax code.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.069	$0.070	$0.072	$0.075
Local Taxes	$0.031	$0.031	$0.033	$0.034

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.064	$0.072	$0.075
Local Taxes	$0.000	$0.029	$0.033	$0.034

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92 %.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses providing digital content for free
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.08.0208(3); 82.12.0208(6) - Digital goods and services for business purposes

Description

Sales of digital goods, or services rendered in respect to digital goods, that are sold to a business solely for business purposes are exempt from sales and use taxes.

Purpose

To promote uniformity and consistency in the tax code.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.691	$0.717	$0.743	$0.769
Local Taxes	$0.311	$0.323	$0.334	$0.346

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.657	$0.743	$0.769
Local Taxes	$0.000	$0.296	$0.334	$0.346

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses buying and selling digital goods
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0208(4); 82.12.0208(7) - Digital goods and services for multiple points of use

Description

Digital goods, digital codes, digital automated services, prewritten computer software, and services that are concurrently available for use within, and outside Washington are exempt from sales and use taxes if the goods or services are not for personal use.

Purpose

To promote uniformity, consistency, and ease of administrative in the tax code.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.140	$2.220	$2.290	$2.370
Local Taxes	$0.960	$1.000	$1.030	$1.070

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.030	$2.290	$2.370
Local Taxes	$0.000	$0.910	$1.030	$1.070

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March forecast.
- A taxpayer subject to use tax on digital products or digital codes that are concurrently available for use within, and outside Washington is entitled to apportion the amount of tax due Washington based on users in Washington compared to users everywhere. For the purposes of this estimate, the taxpayer savings and potential revenue gains were calculated from the non-Washington portion of these sales, based on the Economic and Revenue Forecast Council March 2023 forecast for Washington and U.S. employment.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

82.08.0208(4); 82.12.0208(7) - Digital goods and services for multiple points of use

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Entities with operations within and outside the state
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.08.0208(5); 82.12.0208(8) - Audio or video programming by broadcasters

Description

Sales of audio or video programming by a radio or television broadcaster are exempt from sales and use tax. The exemption does not apply to programming sold on a pay-per-program basis or that allows the buyer to access a library of programs at any time for a specific charge for that service.

Purpose

To provide tax relief to radio and television broadcasters.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$72.510	$68.170	$64.090	$60.260
Local Taxes	$40.590	$38.160	$35.880	$33.740

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$62.490	$64.090	$60.260
Local Taxes	$0.000	$34.980	$35.880	$33.740

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth rate of broadband cable subscriptions. Broadband cable subscriptions are declining by an average of 6.0% per year.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax returns
- Department of Revenue, Audit data
- Statista.com, Subscriber information by quarter for various cable and satellite television providers
- Comcast, 2022 earnings report
- Spectrum, 2022 earnings report

82.08.0208(5); 82.12.0208(8) - Audio or video programming by broadcasters

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2020
Primary Beneficiaries:	Audio or video broadcasters
Taxpayer Count:	21
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0209 - Qualifying Grants – National emergency or state of emergency

Description

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from sales tax.

Purpose

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues during a national or state of emergency.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Future emergency situations and the provision of government-funded assistance to taxpayers is unknown, therefore these estimates are indeterminate.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2021
Primary Beneficiaries:	Recipients of government-funded grants or debt relief during a national emergency or state of emergency
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0251 - Casual sales

Description

For persons not otherwise engaged in business activities, the law does not require to collect sales taxes when they sell items or services meeting the definition of a retail sale to consumers. However, the buyer is not exempt from the use tax on the value of these purchases.

Purpose

To limit sales tax collections and reporting to business entities. Also, the exemption recognizes the practical problems associated with locating and registering casual sellers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.712	$0.725	$0.739	$0.753
Local Taxes	$0.179	$0.181	$0.183	$0.185

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.314	$0.352	$0.363
Local Taxes	$0.000	$0.008	$0.009	$0.009

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer price index growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Compliance rate of 5% for sales by individuals, for all years.
- Not all sales by individuals are captured in this estimate.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management; November 2022 State Population Forecast
- Northern Kentucky Tribune; "It's the season for garage sales and yard sales."
- U.S. Census Bureau; US population data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Businesses selling items outside their general scope of business and individuals selling products at garage or yard sales.
Taxpayer Count:	500
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 with an upcoming review in 2023

82.08.0252 - Sales subject to public utility tax

Description

Sales subject to PU tax are exempt from sales tax.

Purpose

To avoid double taxation. The PU tax is a tax on consumers of utility services even though the provider of the service pays the tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$809.490	$826.160	$848.060	$875.830
Local Taxes	$364.030	$371.530	$381.380	$393.870

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$757.320	$848.060	$875.830
Local Taxes	$0.000	$340.570	$381.380	$393.870

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Tangible personal property sold or distributed that are public utilities would become subject to sales tax. This includes the sale or distribution of electricity, natural gas, or water.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1935
Primary Beneficiaries:	Public utilities and their customers
Taxpayer Count:	779
Program Inconsistency:	None evident
JLARC Review:	Full reviewed completed in 2014 and expedited review completed in 2023

82.08.02525; 82.12.02525 - Public records copies

Description

Charges received by state or local government agencies as reimbursement for the cost of providing copies of public records are exempt from sales and use taxes.

The exemption applies to documents provided under the Public Records Act when the state or local government agency charges no fee for the record itself, other than the amount necessary to cover the actual costs of providing the document. A maximum fee of $0.15 per page applies if the agency has not determined the actual cost.

Purpose

Supports open government and encourages citizens to seek the information they need from governmental agencies. Prevents agencies from having to collect and remit small amounts of sales tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.107	$0.107	$0.107	$0.107
Local Taxes	$0.048	$0.048	$0.048	$0.048

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.098	$0.107	$0.107
Local Taxes	$0.000	$0.044	$0.048	$0.048

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- 75% of "other statutory certifying and copy fees" are for copying of public records.
- Public records requests fluctuate, therefore calculated a 10-year average, and kept future annual amounts equal.
- State charges equal local charges.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- State Auditor, Local Government Financial Report System

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Washington citizens and state and local government agencies
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2025

82.08.0253; 82.12.0345; 82.08.0253(1)(b) - Newspapers

Description

The sales of newspapers sold by subscription and at newsstands are exempt from sales and use taxes.

The department's administrative rule defines a newspaper as a publication issued at regular intervals of less than two weeks, printed on newsprint in tabloid or broadsheet format, and without substantial binding.

Purpose

In 1935, taxing newspapers was viewed as inhibiting the "freedom of the press." In addition, the exemption relieved newspaper carriers (mostly youth) from being responsible for collecting and reporting the tax; however, the billing function has now largely been centralized by the publisher.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.391	$0.381	$0.371	$0.361
Local Taxes	$0.176	$0.171	$0.167	$0.162

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.319	$0.338	$0.329
Local Taxes	$0.000	$0.142	$0.151	$0.147

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates are based on historical department data.
- Revenues for the newspaper and subscription industry will continue to decrease in the future.
- The decrease in the B&O tax revenue is due to the reduction in taxable sales due to the higher tax rate (elasticity).
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- U.S. Census Bureau, Housing data

82.08.0253; 82.12.0345; 82.08.0253(1)(b) - Newspapers

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Buyers of newspapers
Taxpayer Count:	15,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2009 and expedited review completed in 2023

82.08.02535 - Fund-raising sales of magazines

Description

Magazine subscriptions are exempt from sales tax when sold by schools or nonprofit organizations benefitting boys and girls 19 years and younger for purposes of raising funds to support their school or organization.

Purpose

To support these organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.423	$0.418	$0.418	$0.418
Local Taxes	$0.190	$0.188	$0.188	$0.188

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.383	$0.418	$0.418
Local Taxes	$0.000	$0.172	$0.188	$0.188

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the newspapers, periodicals, and books industrial production growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Of the total magazines sells to households, 10% are sold via fundraisers.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Statista, U.S. household expenditure on newspapers and magazines
- Office of Financial Management, Postcensal estimates of housing

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Schools and nonprofit organizations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.08.02537; 82.12.0347 - Academic transcripts

Description

Sales of academic transcripts, including those transferred electronically, by public and private educational institutions are exempt from sales and use taxes.

Purpose

To provide tax relief for students charged for copies of academic transcripts sent on their behalf to other schools, prospective employers, etc.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.164	$0.166	$0.166	$0.165
Local Taxes	$0.074	$0.074	$0.075	$0.074

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.152	$0.166	$0.165
Local Taxes	$0.000	$0.062	$0.075	$0.074

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth based on projected enrollment figures.
- Unofficial transcripts are free.
- 31% of high school students order five transcripts at $5 each.
- 50% of college graduates order five transcripts at $10 each.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Office of the Superintendent of Public Instruction, K-12 data
- Office of Financial Management, Education Research and Data Center data
- Digest of Education Statistics, College graduate data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1996
Primary Beneficiaries:	Public and private educational institutions
Taxpayer Count:	295 School districts, 46 public colleges, 57 private colleges
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.08.0254; 82.12.0255 - Constitutionally exempt sales

Description

The Washington and U.S. Constitutions prohibit the taxation of certain activities. Sales and purchases from these activities are exempt from sales and use taxes. This includes, but is not limited to:

- Sales sourced to a location outside of Washington.
- Sales to the U.S. Government.
- Sales to Indian tribes or tribal members in Indian country.

Purpose

To avoid violating state and federal laws.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4,547.840	$4,718.163	$4,887.548	$5,063.157
Local Taxes	$2,045.177	$2,121.772	$2,197.945	$2,276.916

Repeal of exemption

Repealing this exemption would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenues are realized if the state law is repealed, these sales are also constitutionally exempt at the federal level.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1935
Primary Beneficiaries:	Federal Government and individuals located on Indian reservations
Taxpayer Count:	31,597
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0255(1)(a,c); 82.12.0256(2)(a,c) - Fuel for urban transit or passenger-only ferries

Description

Motor vehicle fuel purchased for the purpose of providing public transportation is exempt from sales and use taxes. The fuel must also be exempt under the motor vehicle and special fuel taxes. This exemption also applies to fuel purchased by a public transportation benefit area, or a county-owned ferry or county ferry district for use in passenger-only ferries.

Purpose

To reduce the cost of providing public transit and encourage the use of these systems by riders.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.197	$6.342	$6.510	$6.708
Local Taxes	$2.787	$2.852	$2.928	$3.017

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.813	$6.510	$6.708
Local Taxes	$0.000	$2.614	$2.928	$3.017

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the transportation energy price growth rate reflected in the U.S. Energy Information Administration annual energy outlook for 2022.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- U.S. Energy Information Administration, Annual energy outlook for 2022
- Department of Transportation, 2021 Summary of public transportation

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1980
Primary Beneficiaries:	City transit agencies and county ferry systems
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and expedited review completed in 2020

82.08.0255(1)(b); 82.12.0256(2)(b) - Fuel for transporting persons with special needs

Description

Motor vehicle and special fuel purchased by a certified private, nonprofit transportation provider for persons with special transportation needs is exempt from sales and use taxes. The fuel must also be exempt from the special fuel taxes.

Purpose

To lower nonprofit transportation provider costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.177	$0.168	$0.165	$0.160
Local Taxes	$0.080	$0.076	$0.074	$0.072

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.154	$0.165	$0.160
Local Taxes	$0.000	$0.076	$0.074	$0.072

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate of gallons of fuel sold mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.
- Growth rate of selling price mirrors the diesel price growth rate reflected in the U.S. Energy Information Administration annual energy outlook for 2023.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council March 2023 forecast
- U.S. Energy Information Administration, Annual energy outlook 2023

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1980
Primary Beneficiaries:	Special needs transportation providers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and 2020

82.08.0255(1)(d,e); 82.12.0256(2)(e,f) - Fuel for state or county ferries

Description	Motor vehicle or special fuel purchased for use in Washington or county-owned ferries is exempt from sales and use taxes.
Purpose	Reduces the cost for state and local government to provide ferry service.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.661	$2.664	$2.682	$2.761
Local Taxes	$1.196	$1.198	$1.206	$1.241

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.442	$2.682	$2.761
Local Taxes	$0.000	$1.098	$1.206	$1.241

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer energy price growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Transportation, Washington state ferries route statements for fiscal years 2017 to 2020
- Various websites for county run ferry systems
- S&P Global Market Intelligence, Consumer energy prices March 2023 forecast

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	State and county owned ferry systems
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.0255(1)(f); 82.12.0256(2)(d) - Special fuel used on public highways

Description

Fuel used by vehicles on public highways and subject to the special fuel tax is exempt from sales and use taxes.

Purpose

To avoid double taxation. However, there are other instances of products being subject to a tax at the distributor level and another tax at the retail level.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$645.735	$646.474	$650.909	$669.992
Local Taxes	$290.389	$290.721	$292.716	$301.297

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$592.601	$650.909	$669.992
Local Taxes	$0.000	$266.494	$292.716	$301.297

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer energy price growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, Consumer energy prices March 2023 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Licensed drivers
Taxpayer Count:	1,845
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 with an upcoming review in 2025

82.08.0255(2); 82.12.0256(1) - Special fuel purchased in WA but used outside of state

Description

Persons engaged in interstate commerce may claim a credit or refund for retail sales or use taxes paid on fuel delivered in Washington but transported and used outside of Washington.

Purpose

To not interfere with interstate commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues. Interstate carriers would likely shift their fuel purchases to other states.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- The taxpayer savings from the credit is reflected in the savings for special fuel used on public highways.
- A repeal of this exemption results in no revenue impact.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1983
Primary Beneficiaries:	Interstate carriers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 with an upcoming review in 2025

82.08.0256; 82.12.0257 - Public utility operating property

Description

The sale of operating property used in conducting a utility operation to the state or a local government entity is exempt from sales and use taxes. The exemption includes properties such as water systems and electrical substations of a public utility.

Exemption requirements include:

- The utility property must be operating as utility property before the sale, and the new owner must continue to operate the property as a utility.
- The purchaser of the operating utility property must be a state agency or political subdivision.

Purpose

This exemption addresses intergovernmental transfers of utility operations resulting from annexations or incorporations. These transfers do not result in financial gain but merely reflect a transfer of assets among jurisdictions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this bill is indeterminate but assumed to be minimal. Utilities do not report these purchases, therefore there is no data to show how often these sales occur.

Data Sources

Joint Legislative Audit and Review Committee, Report 09-4: 2008 Expedited Tax Preference Performance Reviews

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1935
Primary Beneficiaries:	State and local jurisdictions, municipal utilities, and public utility districts that purchase operating utility property
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2023

82.08.02565; 82.12.02565 - Manufacturing and R&D machinery and equipment

Description

Manufacturers and processors for hire are eligible for a sales and use tax exemption on purchases of manufacturing machinery and equipment (M&E) used directly in a manufacturing operation, research and development operation, or testing operation. Charges for installing, repairing, cleaning, altering, or improving the machinery and equipment are also exempt.

Property with a useful life of less than one year, hand tools, and consumable supplies do not receive an exemption. Manufacturing, research and development (R&D), and testing operations for cannabis or cannabis related products are also not eligible for the exemption.

"Manufacturing operation" means the manufacturing of articles, substances, or commodities for sale as tangible personal property.

“Research and development” means activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, processes, techniques, formulas, inventions, or software. The term includes exploration of a new use for an existing drug, device, or biological product if the new use requires separate licensing by the Federal Food and Drug Administration. The term does not include adaptation or duplication of existing products where the products are not substantially improved by the application of the technology, nor does the term include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

"Research and development operation" means engaging in R&D by a manufacturer (or processor for hire for a manufacturer), who has a manufacturing operation that produces tangible personal property for sale even if the manufacturing operation could be for separate products or performed away from the R&D site.

Taxpayers are not required to manufacture items for sale to qualify for the M&E exemption in the context of a research and development operation.

Purpose

To encourage manufacturing activity to take place in Washington and create family wage jobs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$353.660	$347.190	$358.490	$368.950
Local Taxes	$159.040	$156.130	$161.220	$165.920

Repeal of exemption

Repealing this exemption would increase revenues.

82.08.02565; 82.12.02565 - Manufacturing and R&D machinery and equipment

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$318.260	$358.490	$368.950
Local Taxes	$0.000	$143.120	$161.220	$165.920

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Non-qualified expenses equal 25% of the total M&E amount reported to U.S. American Manufacturer's Survey.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Economic Census, Annual Survey of Manufacturers

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Taxpayers engaged in manufacturing activities
Taxpayer Count:	9,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.02565(1)(c)(ii); 82.12.02565 - M&E on sales of manufactured or compressed natural gas

Description

A gas distribution business that manufactures compressed or liquefied natural gas for use as transportation fuel must pay sales and use taxes on machinery and equipment purchases for use in the manufacturing process. Beginning July 1, 2017, the gas distribution business may apply for a remittance for the sales and use taxes paid on such equipment. The gas distribution business can only apply for a remittance once a quarter and the department cannot accept remittances after June 30, 2028.

Purpose

To provide uniform treatment of natural gas used as a transportation fuel.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

There have been no remittance requests. We expect no requests during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Gas distribution business that manufactures compressed or liquefied gas for use as transportation fuel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.025651; 82.12.025651 - Public research institutions machinery and equipment

Description

The sale of machinery and equipment (M&E) used primarily in a research and development operation at public research institutions is exempt from sales and use tax. Qualifying machinery and equipment includes:
- Computer hardware and software.
- Laboratory equipment and instruments.
- Vats, tanks, and fermenters.
- Equipment used to control, monitor, or operate qualifying machinery.

Purpose

Ensures amendments made to the M&E exemption in 2011 would not affect public research institutions.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.549	$3.540	$3.566	$3.595
Local Taxes	$1.596	$1.592	$1.604	$1.616

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.245	$3.566	$3.595
Local Taxes	$0.000	$1.459	$1.604	$1.616

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the research and development operation growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Annual tax performance reports
- Economic and Revenue Forecast Council, March 2023 forecast

82.08.025651; 82.12.025651 - Public research institutions machinery and equipment

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	Public research institutions
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.08.02566; 82.12.02566 - Aircraft part prototypes

Description

Sales of tangible personal property incorporated into or used for modifications made to prototypes of aircraft parts and auxiliary equipment are exempt from sales and use taxes if the business developing the prototypes has taxable annual income of $20 million or less. The exemption is limited to $100,000 per business per calendar year. Eligible businesses must pay tax at the point of sale and apply for a refund directly from the department.

Purpose

To assist relatively small manufacturers of aircraft parts.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Businesses developing prototypes of aircraft parts and auxiliary equipment
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.08.025661; 82.12.025661 - Aerospace FAR Repair Stations

Description

FAR Part 145 certificated repair stations engaged in the repair of airplanes receive sales and use tax exemptions on:

- Charges for the construction of new buildings.
- Charges for tangible personal property that is incorporated as an ingredient or component of such buildings.
- Charges for labor and services rendered in respect to installing building fixtures that do not qualify for the machinery and equipment exemption.

A repair facility's construction is operationally complete when the facility can host the repair and maintenance of airplanes.

To perform work on aircraft in the United States an entity must be licensed by part 145 of the Code of Federal Regulations (CFR Part 145). Repair stations meeting the criteria are often called FAR Part 145 repair stations.

To be eligible for the exemptions, the eligible maintenance and repair facility must be located at a commercial services airport owned by a county with a population less than one million, or a commercial services airport jointly owned by a city and a county.

The exemption is in the form of a remittance from the department for taxes paid. The entity may request the remittance of the local sales and use tax after July 1, 2016. The sales tax exemption expires on January 1, 2031.

To qualify for the state portion of the sales and use tax exemption, the applicant must report to the Employment Security Department at least 100 average employment positions, with an average annualized wage of $80,000 for a period of four consecutive calendar quarters, beginning with the first calendar quarter after the date the facility is a issued an occupancy permit by the local permit issuing authority.

Purpose

To encourage the building of FAR 145 repair stations in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would not increase revenues because remittance for both local and state sales taxes from the new construction of repair facility will not occur prior to the repeal date of July 1, 2024.

82.08.025661; 82.12.025661 - Aerospace FAR Repair Stations

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2016
Primary Beneficiaries:	Taxpayers performing aircraft maintenance repair under FAR 145
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.02568; 82.12.02568 - Aluminum production anodes and cathodes

Description

The sale or use of carbon, petroleum coke, coal tar, pitch, and similar substances that become an ingredient or component of anodes and cathodes used in manufacturing aluminum for sale are exempt from sales and use taxes.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exclusion would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 with an upcoming review scheduled in 2024

82.08.02569; 82.12.02569 - Gravitational wave observatory

Description

Tangible personal property incorporated into a structure which is an integral part of a laser interferometer gravitational wave observatory is exempt from sales and use taxes.

Purpose

To encourage construction of a facility in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1996
Primary Beneficiaries:	The California Institute of Technology and the federal government
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2023

82.08.0257; 82.12.0258 - Farm auction sales

Description

Sales of farm related tangible personal property by an auctioneer are exempt from sales and use taxes. The seller must be a farmer with the sale held on a farm. This exemption does not apply to personal property used by the seller in the production of cannabis, useable cannabis, or cannabis-infused products.

Purpose

To support the agricultural industry and farmers selling old equipment to purchase new equipment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.883	$1.921	$1.959	$1.998
Local Taxes	$0.544	$0.555	$0.566	$0.578

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.761	$1.959	$1.998
Local Taxes	$0.000	$0.509	$0.566	$0.578

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- On average $28.4 billion is spent on agricultural machinery and equipment sold at auction.
- 2% growth based on purchases of farm equipment the last five years.
- 10% of all farm equipment is sold at auctions.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- U.S. Department of Agriculture, Farm production expenditure summaries

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1943
Primary Beneficiaries:	Farmers that sell machinery and other personal property at farm auctions, as well as the buyers of the items
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2008 and 2018

82.08.02573 - Nonprofit organization fundraising

Description

Sales by a nonprofit organization or a library for fundraising activities are exempt from sales tax if the gross income from the sale is exempt under B&O tax. The exemption does not extend to the regular operation of a bookstore, thrift shop, or restaurant.

Purpose

To support fundraising activities of nonprofit organizations and libraries.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$40.900	$42.600	$44.200	$46.000
Local Taxes	$18.400	$19.100	$19.900	$20.700

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$39.000	$44.200	$46.000
Local Taxes	$0.000	$17.500	$19.900	$20.700

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Fundraising is 12.5% of the total revenue generated.
- Sales tax applies to 5% of overall fundraising revenue.

Data Sources

- Economic and Revenue Forecast Council, March 2023
- National Council of Nonprofits, Nonprofit revenue data
- Cause IQ, Washington nonprofit data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1998
Primary Beneficiaries:	Nonprofit organizations fundraising by selling items to support their activities
Taxpayer Count:	41,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 with an upcoming review in 2024

82.08.0258; 82.12.0259 - Federal instrumentalities furnishing aid and relief

Description

A sales and use taxes exemption on purchases exists for corporations created by Congress that provide:

- Volunteer aid to the armed forces.
- A system of national and international disaster relief.

Purpose

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1935
Primary Beneficiaries:	Federal instrumentalities furnishing aid
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Excluded from review

82.08.0259; 82.12.0261 - Breeding livestock, cattle, and milk cows

Description

Sales of livestock for breeding purposes and sales of cattle and milk cows used on a farm are exempt from retail sales and use tax.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.702	$11.702	$11.702	$11.702
Local Taxes	$3.383	$3.383	$3.383	$3.383

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.744	$11.702	$11.702
Local Taxes	$0.000	$3.101	$3.383	$3.383

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth applied because Washington cow prices and head counts have remained steady for several years.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- U.S. Department of Agriculture, Agriculture census, statistics, and reports

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1945
Primary Beneficiaries:	Livestock breeders, cattle operations, and dairies that purchase animals for use in producing other animals or products for sale
Taxpayer Count:	4,800
Program Inconsistency:	None
JLARC Review:	Full review completed in 2010

82.08.026; 82.12.023; 82.14.030(1) - Natural and manufactured gas

Description

Natural and manufactured gas delivered through a pipeline that is subject to the special use tax on brokered gas under is exempt from sales and use taxes.

Purpose

Washington businesses that distribute natural gas are subject to public utility tax. Large industrial customers may purchase gas directly from out-of-state suppliers through brokers that are not subject to public utility tax. Starting in 1989 these large industrial customers started paying a use tax equivalent to the public utility tax. This exemption assures that these purchases are subject to the special use tax, rather than sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.893	$17.893	$17.893	$17.893
Local Taxes	($20.741)	($20.741)	($20.741)	($20.741)

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.402	$17.893	$17.893
Local Taxes	$0.000	($19.013)	($20.741)	($20.741)

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimates reflect state brokered natural gas rate of 3.85% and average local brokered natural gas rate of 4.66%.
- Zero growth due to historical fluctuations in tax collections.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Large industrial users of natural or manufactured gas
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.0261(1) - Items used in interstate commerce

Description

Sales of tangible personal property, such as linens, bedding, chairs and tableware (excluding airplanes, trains, and vessels) to air, rail, or water private or common carriers for use in their business are exempt from sales tax. Any actual use of the item in Washington is subject to use tax.

Purpose

To encourage the purchase of these items in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$24.543	$24.451	$24.539	$24.780
Local Taxes	$11.037	$10.996	$11.035	$11.144

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$22.414	$24.539	$24.780
Local Taxes	$0.000	$10.080	$11.035	$11.144

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the transportation services consumer demand growth rate reflected in the S&P Global Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Implan, Region Industry Commodity Demand: Air transportation, Rail transport, 2021
- Employment Security Department, Establishment size by number of employees, 2021
- S&P Global Intelligence, Real Consumer Spending Growth, transportation services, March 2023

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Transportation companies and customers
Taxpayer Count:	207
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.08.0261(2,3) - Sale of liquefied natural gas to a business operating as a private or common carrier by water in interstate or foreign commerce

Description

Businesses operating as a private or common carrier engaged in interstate or foreign commerce by water may receive a sales tax exemption purchasing liquid natural gas (LNG).

Use taxes are due on:
- LNG consumed in Washington.
- 10% of LNG transported outside of Washington.

These exemptions expire July 1, 2028.

Purpose

Provide a lower tax rate on liquefied natural gas that is not consumed in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2014
Primary Beneficiaries:	Transportation businesses
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.08.0262; 82.12.0254(1) - Interstate transportation equipment

Description

Sales tax and use tax does not apply to sales or use of:

- Airplanes, locomotives, railroad cars, or watercraft for use in conducting interstate commerce.
- Vessels for conducting commercial deep-sea fishing outside the territorial waters of the state.
- Component parts for such equipment.
- Labor and services for constructing, repairing, cleaning, altering, and improving such equipment.

Purpose

To give a competitive advantage to Washington-based transportation manufacturing industries to retain high-wage, skilled manufacturing jobs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.373	$8.952	$8.989	$9.103
Local Taxes	$4.215	$4.282	$4.300	$4.355

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- A challenge under federal commerce laws would likely occur if this exemption was repealed, which results in no revenue impact.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Intelligence, Investment in equipment: transportation equipment, March 2023 forecast

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Sellers of transportation equipment
Taxpayer Count:	126
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010 and expedited review completed in 2019

82.08.0263; 82.12.0254(2,3) - Interstate commerce vehicles

Description

The sale or use of motor vehicles and trailers used for transporting persons or property for hire in interstate and foreign commerce are exempt from sales and use taxes. The purchaser or user must hold a permit issued by the federal Department of Transportation.

Use tax does not apply to a vehicle used by a nonresident when the vehicle is used:
- Exclusively to transport property or persons across state boundaries.
- Less than 15 consecutive days.

Purpose

To encourage sales in Washington by allowing delivery to occur in-state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$13.087	$12.500	$12.551	$12.711
Local Taxes	$5.886	$5.979	$6.004	$6.080

Repeal of exemption

Repealing this exemption would not increase revenues. Buyers could restructure to take delivery out-of-state. In addition, taxing this property may violate the Commerce Clause.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

A challenge under federal commerce laws would likely occur if this exemption was repealed which results in no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Interstate carriers and dealers
Taxpayer Count:	28
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.08.0264 - Vehicles sold to nonresidents

Description

Motor vehicles, trailers, and campers sold to nonresidents for use outside the state are exempt from sales tax. Delivery may take place in Washington, provided the vehicle is:

- Taken directly out-of-state.
- Immediately licensed in the purchaser's state of residence and not used in Washington for more than three months.

Purpose

To eliminate a potential disadvantage for in-state vehicle dealers who compete against dealers in other states. Other purchases by nonresidents are subject to sales tax if delivery occurs within Washington, unless the provisions of RCW 82.08.0273 (residents of states with no or low sales taxes) apply.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$77.521	$80.424	$83.311	$86.305
Local Taxes	$34.860	$36.170	$37.470	$38.810

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresident purchasers would take possession outside the state.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If this exemption is repealed, then nonresidents would take possession outside the state. Therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1949
Primary Beneficiaries:	Vehicle dealers and manufacturers
Taxpayer Count:	557
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.08.0266; 82.08.02665 - Boats sold to nonresidents

Description

The sale of watercraft to nonresidents, for use outside of Washington, is exempt from sales and use taxes, even when delivered in Washington, if the craft meets one of the following:

- Is registered with the U.S. Coast Guard.
- Is registered by the state of principal use according to the Federal Boating Act of 1958.

The qualifying craft must not be used within Washington for more than 45 days.

Purpose

Allowing the buyer to take delivery in Washington without incurring sales and use taxes helps to encourage purchases by nonresidents and foreigners.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.177	$3.296	$3.414	$3.537
Local Taxes	$1.429	$1.482	$1.535	$1.591

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresidents would likely take delivery outside of Washington or purchase the watercraft outside of Washington.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If this exemption is repealed, then nonresidents would either purchase or take possession outside the state. Therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1959
Primary Beneficiaries:	Boat dealers and manufacturers
Taxpayer Count:	29
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.08.0267; 82.12.0262 - Poultry used in production

Description

Poultry used for producing poultry or poultry products are exempt from sales and use taxes.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.245	$0.254	$0.264	$0.275
Local Taxes	$0.071	$0.074	$0.076	$0.079

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.233	$0.264	$0.275
Local Taxes	$0.000	$0.068	$0.076	$0.079

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington contains no hatcheries producing genetically improved chicks on a large-scale basis for commercial producers.
- Most of Washington’s commercial egg producers purchase their replacement chicks from out-of-state hatcheries that deliver the chicks to them.
- Purchases of replacement chicks by Washington commercial laying operations are estimated at $3.83 million.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- U.S. Department Agriculture, 2017 Census
- Joint Legislative Audit & Review Committee references
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1961
Primary Beneficiaries:	Producers of poultry and poultry products
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010 and expedited review completed in 2018

82.08.0268 - Farm equipment sold to nonresidents

Description

Farm machinery sold to nonresidents and immediately transported out of state is exempt from sales taxes. The exemption includes parts and labor for repair services performed on machinery and implements used for farming outside of the state.

Purpose

To allow Washington implement dealers to effectively compete with dealers in neighboring states which either exempt farm machinery or have a lower (or no) sales tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.480	$10.849	$11.231	$11.626
Local Taxes	$3.030	$3.136	$3.247	$3.361

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresident farmers would likely buy and repair machinery in another state.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If this exemption is repealed, then nonresident farmers would buy and repair machinery outside the state. Therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1961
Primary Beneficiaries:	Nonresident farmers that purchase and take delivery of farm machinery, implements and parts in Washington
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010 and expedited review completed in 2018

82.08.0269 - Purchases by residents of Alaska & Hawaii

Description

Sales for use in states, territories, and possessions of the U.S. which are not contiguous to any other state are exempt from sales tax, if the seller delivers the property to an in-state receiving terminal of a carrier that transports the goods to an out-of-state location.

Purpose

To facilitate sales to residents of Alaska, Hawaii, and U.S. possessions and territories, and encourage trade through Washington ports.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.053	$0.053	$0.055	$0.057
Local Taxes	$0.024	$0.024	$0.025	$0.026

Repeal of exemption

Repealing this exemption will not increase revenues. Buyers will make alternative shipping arrangements.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If this exemption is repealed then residents of Alaska, Hawaii, and other U.S. possessions and territories will make alternative shipping arrangements outside the state. Therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1961
Primary Beneficiaries:	Businesses selling to residents of Alaska, Hawaii, and U.S. territories
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2023

82.08.0271; 82.12.930 - Watershed and flood protection

Description

State and local government entities are exempt from sales and use taxes on tangible personal property consumed and labor and services rendered for watershed protection or flood prevention projects. The exemption is limited to the portion of the selling price that is reimbursable by the federal government under the Watershed Protection and Flood Prevention act.

Purpose

Support services on watershed protection and flood prevention.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.120	$0.120	$0.120	$0.120
Local Taxes	$0.050	$0.050	$0.050	$0.050

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.110	$0.120	$0.120
Local Taxes	$0.000	$0.050	$0.050	$0.050

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Appropriation amounts remain the same each year, therefore no annual growth factored.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Congressional Research Service, Agricultural Conservation: FY2022 Appropriations
- U.S. Census Bureau, State Area Measurements and Internal Point Coordinates

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1980
Primary Beneficiaries:	State and local government entities rendering projects and services relating to the Watershed Protection and Flood Prevention act.
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review scheduled in 2026

82.08.0272; 82.12.0267 - Semen for artificial insemination of livestock

Description

Semen used for artificial insemination of livestock is exempt from sales and use taxes.

Purpose

To support the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.701	$0.701	$0.701	$0.701
Local Taxes	$0.203	$0.203	$0.203	$0.203

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.643	$0.701	$0.701
Local Taxes	$0.000	$0.169	$0.203	$0.203

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on Census of Agriculture data, cattle inventory remained constant, therefore no growth reflected.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Excise tax data
- U.S. Department of Agriculture, Census of Agriculture

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1996
Primary Beneficiaries:	Ranchers who purchase semen for artificial insemination of livestock
Taxpayer Count:	Approximately 12,000 cattle ranchers
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2018

82.08.0273 - Sales to nonresidents from no or low sales tax states

Description

Nonresidents are exempt from Washington sales tax on tangible personal property purchased for use outside of Washington. The exemption is in the form of a refund for state sales tax (6.5%) only. Qualifying nonresidents must meet either the following criteria:

- They reside in a state, possession, or Canadian province which levies a sales tax of less than 3.0%.
- Their state of residence allows a similar exemption for Washington residents. Currently, no state qualifies under this provision of reciprocity.

In addition:

- A nonresident may apply for a state sales tax refund once in a calendar year for all purchases made during the prior calendar year.
- Applications would be accepted by the department only for refunds of $25 or more.
- Sales receipts, addresses of the places of purchase, and other documentation as required by the department, will need to be submitted with the application.

Purpose

To enable Washington sellers, especially along the Oregon border, to compete with merchants in other states that do not levy a sales tax or levy a sales tax with a low rate.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.690	$0.710	$0.740	$0.760
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.660	$0.740	$0.760
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

82.08.0273 - Sales to nonresidents from no or low sales tax states

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1965
Primary Beneficiaries:	Qualified nonresidents
Taxpayer Count:	1,820
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2023

82.08.0274; 82.12.0268 - Form lumber

Description

Form lumber used in construction to mold concrete is exempt from sales and use taxes when incorporated into the same project. The exemption applies only to projects done by contractors for other persons. Therefore, form lumber used by "speculative" builders is not exempt under this provision.

Purpose

To exempt the contractor's intervening use as a consumer of form lumber.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.126	$0.131	$0.137	$0.142
Local Taxes	$0.057	$0.059	$0.062	$0.064

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.120	$0.137	$0.142
Local Taxes	$0.000	$0.054	$0.062	$0.064

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A growth rate using the compound annual growth rate of 4.2%.
- Lumber makes up 50% of formwork materials.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- The Insight Partners, Formwork System Market Forecast to 2028 - COVID-19 Impact and Global Analysis by Offering and Material Used
- Statista, Projected Share of Construction Spending Worldwide by 2020
- Statista, Gross Domestic Product of the United States in 2022
- Macrotrends, North America GDP 1960-2023
- MEVA, "Formwork 101: An Introductory Guide"

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1965
Primary Beneficiaries:	Contractors and subcontractors who use lumber as forms for concrete
Taxpayer Count:	31,542
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.08.02745; 82.12.02685 - Farm-worker housing

Description	Purchases of goods and services used in constructing, repairing, or improving new or existing structures used as agricultural employee housing are exempt from sales and use taxes. Agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers may own housing facilities. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public. The farmworker housing exemption applies to projects when at least 50% of the housing units in the development are used for farmworker housing. This exemption expires on January 1, 2032.
Purpose	To encourage the construction of housing facilities for agricultural employees.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.019	$2.067	$2.117	$2.167
Local Taxes	$0.584	$0.598	$0.612	$0.627

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.895	$2.117	$2.167
Local Taxes	$0.000	$0.498	$0.612	$0.627

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 2.4% based on the exemption data.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1996
Primary Beneficiaries:	Farmers and others who build housing facilities for farm workers
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018 and full review completed in 2020

82.08.0275; 82.12.0269 - Sand and gravel for local road construction

Description

Sales and use taxes do not apply to the cost of labor and services performed in the mining, sorting, and crushing of sand and gravel taken from a pit owned by or leased to a city or county. The city or county must either:
- Place the sand or gravel on a local public street.
- Sell it at cost to another city or county for use on public roads.

Purpose

Reduces the cost of local governments building and maintaining streets and roads.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.650	$3.870	$4.100	$4.350
Local Taxes	$1.640	$1.740	$1.850	$1.960

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.550	$4.100	$4.350
Local Taxes	$0.000	$1.600	$1.850	$1.960

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6% based on the deduction data.
- Sand and gravel used in local construction represents 7.5% of government contracting as reported by 70% of highway, street, and bridge construction taxpayers.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

82.08.0275; 82.12.0269 - Sand and gravel for local road construction

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1980
Primary Beneficiaries:	Contractors and municipalities that perform road work.
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with full review completed in 2020

82.08.0277; 82.12.0273 - Pollen

Description

Sales and use of pollen are exempt from the sales and use taxes.

Purpose

To support the agricultural and horticultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.615	$0.637	$0.661	$0.685
Local Taxes	$0.178	$0.180	$0.182	$0.184

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.584	$0.661	$0.685
Local Taxes	$0.000	$0.165	$0.182	$0.184

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is compound annual growth of farm-originated production expenses from U.S. Department of Agriculture 2017 Census report.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Specific pollen sales data does not exist.
- Most farmers rent hives to perform pollination.
- Cost to pollinate with purchased pollen is between $100 and $240 per acre.
- Assume 1% of cropland is pollinated with purchased pollen and not bees.

Data Sources

- U.S. Department of Agriculture, 2017 Census

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1989
Primary Beneficiaries:	Farmers that buy pollen
Taxpayer Count:	Unknown, approximately 21,000 farms have harvested cropland
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2018

82.08.0278(1); 82.12.0274(1) - Annexation sales

Description

Tangible personal property sold by one political subdivision to another in conjunction with an annexation, incorporation, or merger is exempt from sales and use taxes. Tangible personal property sold by one political subdivision to another in conjunction with a contractual consolidation is exempt from sales and use taxes when the political subdivision that originally paid the sales or use taxes on the tangible personal property continues to benefit from the property after the consolidation.

Purpose

To avoid taxing the non-enterprise activities of local governments.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

Sales of tangible personal property from one taxing district to another as a result of an annexation or incorporation is rare. Because of this, the revenue impact from a repeal is minimal.

Data Sources

Office of Financial Management, Annexation and municipal boundary changes

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1970
Primary Beneficiaries:	Cities, counties, or other local governments that are involved in annexations
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2025

82.08.0278(2), 82.12.0274(2) - Political subdivision consolidation sales

Description

Tangible personal property sold by one political subdivision to another in conjunction with a contractual consolidation is exempt from sales and use taxes when the political subdivision that originally paid the sales or use taxes on the tangible personal property continues to benefit from the property after the consolidation.

Purpose

To avoid taxing the non-enterprise activities of local governments.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

Sales of tangible personal property from one political subdivision to another as a result of consolidation is rare. Because of this, the revenue impact from a repeal is minimal.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Cities, counties, or other local governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2025

82.08.0279 - Nonresidents' rental vehicles

Description

Renting or leasing motor vehicles and trailers to nonresidents for exclusive use in interstate commerce is exempt from sales tax. Nonresidents with places of business both inside and outside of Washington qualify for the exemption if the vehicle is registered and most frequently dispatched, garaged and serviced at a location outside of Washington. The exemption includes vehicles or trailers registered in a different state and have incidental use to transport persons or property between Washington locations.

Purpose

To relieve lessors of responsibility for collecting sales tax on the in-state use of rental cars, motor vehicles and trailers by a nonresident motor carrier engaged in interstate commerce and to encourage such businesses to rent or lease in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.168	$0.175	$0.181	$0.187
Local Taxes	$0.048	$0.050	$0.052	$0.053

Repeal of exemption

Repealing this exemption would not increase revenues. The motor vehicle leases and rentals would still qualify under the interstate commerce vehicles exemption.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

If this exemption is repealed, then the exemption would qualify under the interstate commerce vehicles exemption. Therefore, no revenue impact.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1980
Primary Beneficiaries:	Truck rental businesses and nonresidents
Taxpayer Count:	265
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and 2019

82.08.02795; 82.12.02745 - Free public hospitals

Description

Free hospitals are exempt from sales and use taxes on purchases of items used in the operation of the hospital or the provision of health care services. A free hospital does not charge its patients for health care provided.

Purpose

To reduce the cost of health care services provided by free hospitals to their patients.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1993
Primary Beneficiaries:	Free hospitals
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.08.02805; 82.12.02747 - Nonprofit blood and tissue banks

Description

Nonprofit blood and tissue banks are exempt from sales and use taxes on purchases of medical supplies, chemicals, and materials. However, the exemption does not extend to construction materials, office equipment and supplies, or vehicles.

Purpose

To support the activities of these entities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.998	$8.183	$8.372	$8.565
Local Taxes	$3.597	$3.680	$3.765	$3.852

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.501	$8.372	$8.565
Local Taxes	$0.000	$3.373	$3.765	$3.852

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for medical equipment and supplies growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Blood Center webpages and Internal Revenue Service form 990 information

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Blood and tissue banks
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.08.02806; 82.12.02748 - Human body parts

Description

Sales of human blood, tissue, organs, bodies, or body parts are exempt from sales and use taxes when they are used for medical research or quality control testing.

Purpose

To support medical research in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.199	$0.209	$0.218	$0.229
Local Taxes	$0.090	$0.094	$0.098	$0.103

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.191	$0.218	$0.229
Local Taxes	$0.000	$0.086	$0.098	$0.103

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates are based on an article published by PR Newswire and will be 4.7% through 2026 and 5.3% thereafter.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- PRNewsWire.com, "Blood and Blood Components Global Market to Reach $58.46 Billion by 2031"
- Statista, North America: Gross domestic product of Canada and the United States from 2018 to 2028
- Popular Science, "Oh, the places your blood will go after you donate it"
- U.S. Census, Population estimate data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1996
Primary Beneficiaries:	Medical research organizations
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.08.02807; 82.12.02749 - Organ procurement

Description

Sales of human blood, tissue, organs, bodies, or body parts are exempt from sales and use taxes when they are used for medical research or quality control testing.

Purpose

To support medical research in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2002
Primary Beneficiaries:	Nonprofit organizations that locate and obtain human organs for transplant operations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.08.0281; 82.12.0275 - Prescription drugs

Description

Drugs prescribed for use by humans, drugs and devices prescribed for birth control, and drugs and devices for birth control that are dispensed by certain family planning clinics are exempt from sales and use taxes, as long as the drugs are prescribed by a physician. In addition, drugs and devices for birth control that are supplied by a family planning clinic that is under contract with the Department of Health to provide family planning services are exempt from sales and use taxes. The exemption is available for all levels of sales and distribution. It is not required that a hospital or physician make a specific charge to the patient for prescription drugs dispensed under a physician's order.

Purpose

To reduce the cost of health care.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$734.700	$762.200	$797.700	$833.000
Local Taxes	$330.400	$342.800	$358.700	$374.600

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$698.600	$797.700	$833.000
Local Taxes	$0.000	$314.200	$358.700	$374.600

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable amount growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census, Population data

82.08.0281; 82.12.0275 - Prescription drugs

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1974
Primary Beneficiaries:	Patients purchasing prescription drugs
Taxpayer Count:	6,000,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0282; 82.12.0276 - Returnable containers

Description

Sales and use of returnable food or beverage containers are exempt from sales and use taxes. This includes items such as soft drinks, milk, and beer.

Purpose

Retailer purchases of nonreturnable food and beverage containers are exempt from sales and use taxes because the containers are sold to consumers. This exemption provides comparable treatment for returnable containers that would not otherwise qualify for the resale exemption, since the containers are not technically "sold" to the food or beverage purchaser.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.032	$0.032	$0.033	$0.034
Local Taxes	$0.014	$0.015	$0.015	$0.015

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.030	$0.033	$0.034
Local Taxes	$0.000	$0.013	$0.015	$0.015

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The annual rate of purchases is 20% of growth of the industry, which is 2.3%.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The revenue impact is mostly from kegs used by Washington breweries; minimal impact from other containers such as glass milk jars.
- The typical price of a keg is $160.

Data Sources

- National Brewers Association, Brewery data
- Beveragecraft.com, "2023 Keg cost in the USA and Canada"

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1974
Primary Beneficiaries:	Firms that purchase containers for supplying food and beverages to consumers which is returned by the consumer to the vendor
Taxpayer Count:	450
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 with an upcoming review in 2026

82.08.0283; 82.12.0277 - Medical devices, naturopathic medicine, and oxygen

Description

The following health-related products or devices receive an exemption from sales and use taxes:

- Prosthetic devices, including eyeglasses and frames prescribed for individuals by a person licensed by the state to prescribe them.
- Medically prescribed oxygen and oxygen delivery systems.
- Medicine of mineral, animal, or botanical origin prescribed, administered, dispensed, or used in the treatment of an individual by a naturopath.
- Components of prosthetic devices and charges for repairing devices exempted by this statute.

In 2004, exemptions for ostomy items and insulin shifted to other statutes.

Purpose

To reduce the cost of medical care.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$69.000	$71.600	$74.200	$76.800
Local Taxes	$31.000	$32.200	$33.400	$34.600

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$65.600	$74.200	$76.800
Local Taxes	$0.000	$29.500	$33.400	$34.600

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast.
- Joint Legislative Audit and Review Committee

82.08.0283; 82.12.0277 - Medical devices, naturopathic medicine, and oxygen

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1961
Primary Beneficiaries:	Individuals purchasing certain prescribed medical equipment.
Taxpayer Count:	5,800,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and an expedited review completed in 2021

82.08.0285; 82.12.0279 - Ferry boat construction and repair

Description

Sales tax does not apply to sales of, or charges made for constructing and improving, ferry boats for the state of Washington or local governments. Use tax does not apply to labor and services rendered to improve such ferry boats.

Purpose

Support state and local governments by reducing the cost of building or repairing ferry boats.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$17.910	$17.910	$17.910	$17.910
Local Taxes	$8.070	$8.070	$8.070	$8.070

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.420	$17.910	$17.910
Local Taxes	$0.000	$7.400	$8.070	$8.070

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth rate is assumed, as the data are volatile.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Washington Department of Transportation, Vessel capital investment

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1977
Primary Beneficiaries:	Publicly operated ferry systems
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012 and an expedited review completed in 2017

82.08.0287; 82.12.0282 - Ride-sharing vehicles

Description

Sales or use of passenger motor vehicles used primarily for ridesharing or transportation of persons with special needs are exempt from sales and use taxes. The vehicles must be used as ride-sharing vehicles for 36 consecutive months beginning from the date of purchase or first use.

To qualify under ride sharing, the vehicle must be carrying three or more passengers and be operated in a county that has adopted and implemented a commute trip reduction plan, or in other counties where the vehicle is registered with or operated by a public transportation agency. Additionally, one of the following must apply:

- Vehicle is operated by a public transportation agency for the general public.
- Vehicle is used by a major employer as an element of its commute trip reduction program.
- Vehicle is owned and operated by individual employees and is registered with either the employer or a public transportation agency.

Notwithstanding the ridership requirements above, unless the vehicle is operated by a public transportation agency, the vehicle must be used for ride sharing in the transport of at least five passengers.

Purpose

To encourage ridesharing for fuel conservation purposes, to help reduce traffic congestion, and to assist in addressing the requirements of the Commute Trip Reduction Act, the Growth Management Act, the Americans with Disabilities Act, and the Clean Air Act.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.587	$0.607	$0.617	$0.613
Local Taxes	$0.252	$0.261	$0.265	$0.264

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.556	$0.617	$0.613
Local Taxes	$0.000	$0.239	$0.265	$0.264

82.08.0287; 82.12.0282 - Ride-sharing vehicles

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the U.S. auto sales growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1980
Primary Beneficiaries:	Ride share vehicle dealers and purchasers
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011 and 2020

82.08.02875 - Football stadium and exhibition center parking

Description

Charges for parking vehicles at facilities owned by a public stadium authority are exempt from sales and use taxes if the authority levies a local parking tax to help finance construction and operation of the football stadium and adjoining exhibition center.

Purpose

To avoid charging parking customers both the local parking tax and sales tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1997
Primary Beneficiaries:	The Public Stadium Authority and users of the parking facility at Lumen Field/Exhibition Center
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2022

82.08.0288; 82.12.0283 - Leased irrigation equipment

Description

Leases of irrigation equipment are exempt from sales and use taxes, if:

- The lessor purchased the equipment to irrigate land they control.
- The lessor paid sales or use tax on the equipment.
- The equipment is attached to the land.
- The equipment is an incidental part of the land lease.
- The equipment is not used in the production of cannabis.

Purpose

Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, the owner of the land previously paid the sales tax on the equipment. For sales tax to apply at the lessee level, the original acquisition of the equipment by the lessor would be an exempt sale for resale.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.927	$3.040	$3.158	$3.280
Local Taxes	$0.846	$0.879	$0.913	$0.948

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.787	$3.158	$3.280
Local Taxes	$0.000	$0.806	$0.913	$0.948

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate based on compound growth of the last 5 years of farm supplies and repairs expenditures.
- Local revenue estimates use the rural average local tax rate of 1.88%.
- Washington farmers irrigate over 1.8 million acres and 15% of irrigation systems are on leased land.

Data Sources

- U.S. Department of Agriculture, 2017 Census and 2018 Irrigation Survey
- Washington State University, Irrigation in the Pacific Northwest

82.08.0288; 82.12.0283 - Leased irrigation equipment

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1983
Primary Beneficiaries:	Farmers that lease land which includes irrigation equipment
Taxpayer Count:	Unknown but almost 15,000 farms use irrigation
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.08.0291 - Recreation services and physical fitness classes

Description

Recreational, athletic, and fitness activities, equipment provided for those activities, and instructions in those activities provided by nonprofit youth organizations to members of the organization are exempt from sales taxes. Physical fitness classes provided by a local government are also exempt from sales taxes.

Purpose

To support the activities of youth organizations and to clarify that fees for physical fitness classes by local governments are not enterprise income.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.223	$0.231	$0.239	$0.247
Local Taxes	$0.100	$0.104	$0.108	$0.111

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.212	$0.239	$0.247
Local Taxes	$0.000	$0.087	$0.108	$0.111

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit youth organizations and their members; Local governments
Taxpayer Count:	470
Program Inconsistency:	None evident
JLARC Review:	Full review in 2013 with upcoming review in 2026

82.08.02915; 82.12.02915 - Housing for youth in crisis

Description

Nonprofit health or social welfare organizations are exempt from sales and use taxes on purchases of materials used in the new construction of licensed alternative housing facilities for youth in crisis. The exemption does not extend to charges for labor or services associated with the construction of these facilities.

Purpose

To encourage new construction of shelters for youth who have left home.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit organizations that house youth in crisis
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 with an upcoming review in 2026

82.08.0293; 82.12.0293 - Food and food ingredients

Description

Food and food ingredients purchased for human consumption are exempt from sales and use taxes. The definition of food and food ingredients excludes alcoholic beverages, tobacco products, cannabis, useable cannabis, and cannabis-infused products.

The exemption does not apply to soft drinks, bottled water, or dietary supplements, and prepared foods, except when furnished, prepared, or served as meals to certain qualified low-income, disabled, or senior citizens.

Purpose

To lessen the regressivity of the sales tax and to reduce the cost of essential items.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1,311.100	$1,325.100	$1,338.100	$1,352.200
Local Taxes	$590.000	$596.000	$602.000	$608.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1,214.900	$1,338.100	$1,352.200
Local Taxes	$0.000	$546.000	$602.000	$608.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 3% based on historical exempt food deduction data.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- There will be no change in consumer purchases of food as a result of the increased price from the repealed exemption.

Data Sources

- Department of Revenue, Excise tax data
- Department of Social and Health Services, Basic food program data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1982
Primary Beneficiaries:	Consumers who purchase food products
Taxpayer Count:	7.86 million
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0294; 82.12.0294 - Aquaculture feed

Description

Aquaculture is the process of growing, farming, or cultivating aquatic products in marine or fresh waters. Feed purchased for fish or other aquatic products for sale, raised entirely within confined rearing areas where the person has the present right of possession are exempt from sales and use taxes.

Purpose

To provide equivalent treatment with those who purchase feed for other agricultural livestock. Fish farmers purchasing feed are not subject to sales and use taxes. This recognizes aquaculture and agriculture activities as equivalent in status and treatment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual amount remains constant based on the fluctuation of the deductions reported.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1970
Primary Beneficiaries:	Fish farmers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.08.0296; 82.12.0296 - Livestock feed

Description

Feed consumed by livestock at public livestock markets is exempt from sales and use taxes.

Purpose

Feed sold to farmers is already exempt from the sales and use taxes. This provision extends the exemption to feed consumed by livestock (e.g. cattle) while awaiting sale at a livestock market.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.171	$0.177	$0.182	$0.188
Local Taxes	$0.050	$0.051	$0.053	$0.054

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.162	$0.182	$0.188
Local Taxes	$0.000	$0.430	$0.053	$0.054

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Compound annual growth rate for feed is 3.43%.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.
- Livestock are kept at public markets one day before being sold.

Data Sources

- U.S. Department of Agriculture, Census of agriculture and farm production expenditures annual summaries
- Washington Department of Agriculture, Licensed certified feedlots and public livestock markets

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1980
Primary Beneficiaries:	Operators of public livestock markets
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

82.08.0297; 82.12.0297 - Food stamp purchases

Description

Items eligible for purchase with food stamps issued by the U.S. Department of Agriculture are exempt from sales and use taxes. This includes products such as soft drinks, vitamins, and cold, prepared deli items not considered as food items for home consumption.

Purpose

Federal law requires states to exempt food stamp purchases from sales tax as a condition of participation in the federal food stamp program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$154.550	$156.150	$157.750	$159.360
Local Taxes	$69.520	$70.230	$70.950	$71.680

Repeal of exemption

Repealing this exemption would increase revenues. However, the state would have to forego participation in the federal food stamp program.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$143.130	$157.750	$159.360
Local Taxes	$0.000	$64.380	$70.950	$71.680

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 3% based on historical exempt food deduction data.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- There will be no change in consumer purchases of food as a result of the increased price from the repealed exemption.

Data Sources

- Department of Revenue, Excise tax data
- Department of Social and Health Services, Basic food program data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1987
Primary Beneficiaries:	Food stamp recipients
Taxpayer Count:	1.3 million
Program Inconsistency:	Yes; the definition of products eligible for sales tax exemption in RCW 82.08.0293 does not exactly correspond with the products which the federal government allows to be purchased with food stamps
JLARC Review:	No review completed

82.08.0298; 82.12.0298 - Commercial fishing boat fuel

Description

Persons regularly engaged in commercial deep-sea fishing operations or in commercial charter boat fishing operations outside of Washington territorial waters are exempt from sales and use taxes on diesel fuel when used for these activities. Regularly engaged means the person has gross income of $5,000 or more annually from these activities.

Purpose

Recognizes that the majority of such fuel is consumed outside of Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.137	$2.155	$2.194	$2.270
Local Taxes	$0.961	$0.969	$0.986	$1.021

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.976	$2.194	$2.270
Local Taxes	$0.000	$0.889	$0.986	$1.021

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer energy price growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The average price of marine diesel was $4.83 per gallon in 2022.
- Fuel use by commercial fishing and charter vessels remains constant from year to year.

Data Sources

- Department of Revenue, Commercial vessel data
- S&P Global Market Intelligence, March 2023 forecast
- Economic Fisheries Information Network, West Coast and Alaska Marine Fuel Prices 2020-2022

82.08.0298; 82.12.0298 - Commercial fishing boat fuel

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Commercial fishing and commercial charter fishing operations
Taxpayer Count:	785
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.0299 - Lodging for homeless people

Description

Emergency lodging provided to homeless persons under a shelter voucher program is exempt from sales tax. The exemption applies for a period up to 30 consecutive days per recipient, the voucher must be given by a local government agency or private organization providing emergency food and shelter for homeless persons.

Purpose

To reduce the cost of providing housing services for the homeless.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.075	$0.076	$0.076	$0.077
Local Taxes	$0.082	$0.083	$0.083	$0.084

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.069	$0.076	$0.077
Local Taxes	$0.000	$0.076	$0.083	$0.084

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management November 2022 population forecast.
- The costs of motel vouchers to Compass Health and the Housing Authority of King County are approximately 50% of the total cost of vouchers in Washington.
- The revenue impact to state sales taxes is 4.5% to account for the 2% local lodging tax credited against the state sales tax.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92% plus the 2% local lodging tax credited against the state sales tax.

Data Sources

- Office of Financial Management, November 2022 population forecast
- Compass Health, Emergency Motel Voucher Program
- Housing Authority of King County, Emergency Voucher Program

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1988
Primary Beneficiaries:	The local jurisdictions and nonprofit organizations that purchase the hotel vouchers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012, with upcoming review in 2026

82.08.031; 82.12.031 - Artistic and cultural organizations

Description

Artistic or cultural organizations are exempt from sales and use taxes on purchases of objects acquired for purposes of exhibition or presentation to the general public. These objects include objects of art, objects with cultural value, objects to be used to create art (other than tools), and objects to be used in displaying art and presenting cultural presentations or performances.

Purpose

To support these organizations and the social benefits they provide.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.982	$1.018	$1.054	$1.090
Local Taxes	$0.441	$0.458	$0.474	$0.490

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.933	$1.054	$1.090
Local Taxes	$0.000	$0.420	$0.474	$0.490

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1981
Primary Beneficiaries:	Nonprofit art and cultural organizations
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013

82.08.0311; 82.12.0311 - Horticultural packing materials

Description

Materials and supplies used directly in packing fresh, perishable horticultural products are exempt from sales and use taxes.

Purpose

To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.492	$0.494	$0.497	$0.500
Local Taxes	$0.142	$0.143	$0.144	$0.144

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.453	$0.497	$0.500
Local Taxes	$0.000	$0.119	$0.144	$0.144

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real consumer spending forecast growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Cost of packaging materials represents 0.25% of production values.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- U.S. Department of Agriculture, 2017 Census and bulletins
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1988
Primary Beneficiaries:	Fruit and vegetable packers
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.08.0315; 82.12.0315 - Film and video production equipment or services

Description

Rental of production equipment or sale of production services to a motion picture or video production business is exempt from sales and use taxes. Such equipment includes video, electrical, lighting and motion picture equipment.

Purpose

To support the motion picture industry and encourage more films to be produced in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.300	$3.300	$3.300	$3.300
Local Taxes	$1.500	$1.500	$1.500	$1.500

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$3.000	$3.300	$3.300
Local Taxes	$0.000	$1.400	$1.500	$1.500

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth is assumed for the estimate, as spending for equipment and services is volatile.
- Cost of production is 37% of gross income.
- Spending for equipment and services is 20% of the cost of production.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	Motion picture and video production companies
Taxpayer Count:	1,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2022

82.08.0316; 82.12.0316 - Cigarettes, tribal contracts

Description

Sale or use of cigarettes by an Indian retailer is exempt from sales and use taxes if its tribe has a cigarette tax contract or agreement with the state of Washington.

Purpose

To resolve conflicts over contraband cigarettes; to benefit the state of Washington and tribes; to improve law and order; and to reduce the competitive advantage of tax-free cigarettes. Cigarette contracts between the state of Washington and Indian tribes are intended to provide consistency in the regulation and taxation of cigarettes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$14.200	$14.200	$14.200	$14.200
Local Taxes	$6.400	$6.400	$6.400	$6.400

Repeal of exemption

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The state will not impose its cigarette and sales and use taxes on these products, as the tribes are already imposing their own equivalent taxes under the contracts.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2001
Primary Beneficiaries:	State, local, and tribal governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.08.0317 - Vehicle sales to tribal members

Description

Motor vehicles purchased by a tribe or an enrolled member of a federally recognized tribe are exempt from sales tax.

In order to qualify, the buyer must provide to the seller on of the following:

- The buyer's tribal membership or citizenship card.
- The buyer's certificate of tribal enrollment.
- A letter signed by a tribal official confirming the buyer's tribal membership status.

In addition, the seller must deliver the motor vehicle to the buyer. The seller must document the delivery by completing a declaration form, attesting to the delivery location and the enrollment status of the tribal member. The seller and buyer must sign the form.

Delivery requirements do not apply if the sale is made to the tribe or tribal member in their Indian country.

"Indian country" has the same meaning as provided in 1821 U.S.C. Sec. 1151.

"Tribe" means a federally recognized tribe.

"Tribal member" means an enrolled member of a federally recognized tribe.

Purpose

To clarify the documentation and delivery requirements necessary to support tax exempt sales of motor vehicles to tribes or tribal members in their Indian country.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$9.684	$9.684	$9.684	$9.684
Local Taxes	$5.368	$5.368	$5.368	$5.368

Repeal of exemption

Repealing this exemption would not increase revenues. Enrolled members of Washington tribes are already constitutionally tax exempt.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Enrolled members of Washington tribes are already constitutionally tax exempt. As a result, there is no revenue impact.

82.08.0317 - Vehicle sales to tribal members

Data Sources

Office of Lieutenant Governor, Washington Tribes data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2016
Primary Beneficiaries:	Enrolled tribal members within Washington State
Taxpayer Count:	38,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.0318; 82.12.0318 - Sales of vapor products by Indian retailers

Description

Sales and use taxes do not apply to sales of vapor products by Indian retailers during the effective period of a vapor products tax contract or agreement.

Purpose

To recognize that applying sales and use taxes to such sales is prohibited.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The state will not impose its vapor products tax and sales and use taxes on these products, as the tribes are already imposing their own equivalent taxes under the contracts.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	State, local, and tribal governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.032; 82.12.032 - Used park-model trailers

Description

The sale, rental, or lease, for more than 30 days of a used park model trailer is exempt from sales and use taxes.

Purpose

To provide consistent tax treatment for used park model trailers and residential real estate.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.340	$0.373	$0.411	$0.451
Local Taxes	$0.153	$0.168	$0.185	$0.203

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.342	$0.411	$0.451
Local Taxes	$0.000	$0.154	$0.185	$0.203

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of approximately 1% based on the average historical growth for recreational vehicle (RV) shipments in the US.
- Used park-model trailers are travel trailers previously sold at retail with a single axle that have lost their identity as a mobile unit.
- Used park-model trailers make up 1% of used travel trailer sales in Washington.
- Long-term rental activity for used park model trailers is near zero.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- RV Industry Association, RV sales data
- RVs Move America, RV sales data
- University of Michigan, The RV Consumer Study, Richard T. Curtin
- J.D. Power, Depreciation of travel trailers
- U.S. Census Bureau, Household data

82.08.032; 82.12.032 - Used park-model trailers

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2001
Primary Beneficiaries:	Buyers, sellers, and long-term renters of used park model trailers.
Taxpayer Count:	250
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.033; 82.12.033 - Used mobile homes

Description

The sale, rental, or lease, in excess of 30 days of a used mobile home attached to the land, is exempt from sales and use taxes.

Purpose

To provide consistent tax treatment for used mobile homes and residential real estate.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$78.348	$88.407	$95.837	$104.016
Local Taxes	$35.233	$39.757	$43.098	$46.776

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$81.040	$95.837	$104.016
Local Taxes	$0.000	$36.444	$43.098	$46.776

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for mobile home sales mirrors the real estate excise tax growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Growth rate for mobile home rentals mirrors the property tax market value growth rates reflected in the Property Tax State Levy Model, March 2023.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Real estate excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Property Tax State Levy Model, March 2023
- Statista, Manufactured homes rental data
- U.S. Census Bureau, American Community Survey, Washington 2021
- Fannie Mae, Lending criteria

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1979
Primary Beneficiaries:	Buyers, sellers, and long-term renters of used mobile homes.
Taxpayer Count:	63,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.034; 82.12.034 - Used floating homes

Description

The sale or long-term rental or lease of a used floating home is exempt from sales and use taxes.

Purpose

To provide consistent tax treatment for used floating homes and residential real estate.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.744	$0.866	$0.947	$1.051
Local Taxes	$0.335	$0.389	$0.426	$0.473

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.794	$0.947	$1.051
Local Taxes	$0.000	$0.357	$0.426	$0.473

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Rental receipts for long-term rentals are near zero or zero.

Data Sources

- King County Department of Assessments, Floating home data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1984
Primary Beneficiaries:	Buyers, sellers, and long-term renters of used floating homes
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.036; 82.12.038 - Core deposits & tire fees

Description

The value of returnable products such as batteries, starters, and brakes accepted by vendors for recycling or remanufacturing are exempt from sales and use taxes. The $1.00 tire fee is also exempt from sales and use taxes.

Purpose

To discourage the disposal of certain products into landfills.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.700	$0.710	$0.720	$0.730
Local Taxes	$0.310	$0.320	$0.320	$0.330

Repeal of exemption

Repealing this exemption would not increase revenues, as "core deposits or credits" would be exempt from sales and use tax under trade-ins.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenue impact from repeal due to core deposits and credits qualifying for exemption from sales and use taxes under trade-ins.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1989
Primary Beneficiaries:	Buyers and sellers of new replacement vehicle tires and businesses accepting core deposits
Taxpayer Count:	1.2 million
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.08.037; 82.12.037 - Bad debts

Description

Sellers can take a deduction for sales or a credit for use tax previously paid on bad debts. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166). "Bad debts" does not include:

- Amounts due on property that remains with the seller until fully paid for.
- Debt collection expenses.
- Debts sold or assigned by the seller to third parties without recourse against the seller.
- Repossessed property.

Purpose

To relieve sellers of the requirement of remitting sales or paying use tax on amounts they did not receive.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.710	$9.040	$9.350	$9.680
Local Taxes	$3.760	$3.910	$4.040	$4.190

Repeal of exemption

Repealing this deduction/credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$8.290	$9.340	$9.690
Local Taxes	$0.000	$3.580	$4.040	$4.190

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1982
Primary Beneficiaries:	Businesses that collect and remit sales and use taxes
Taxpayer Count:	1,607
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.08.080 - Vending machine sales

Description

The selling price for calculating the sales taxes on sales of tangible personal property made through a vending machine is 60% of the gross receipts of the total sales made through the machine.

Purpose

To clarify and ease the calculation of sales tax on items sold through a vending machine at a fixed price.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.920	$1.920	$1.920	$1.920
Local Taxes	$0.863	$0.863	$0.863	$0.863

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.760	$1.920	$1.920
Local Taxes	$0.000	$0.719	$0.863	$0.863

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Vending sales will remain constant so no growth.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1935
Primary Beneficiaries:	Operators of vending machines
Taxpayer Count:	200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2023

82.08.207; 82.12.207 - Standard Financial Information

Description

Qualifying international investment management service companies (IIMS) and their affiliates are exempt from sales and use taxes on the purchase or use of standard financial information. Standard financial information includes, but not limited to, financial market data, bond ratings, credit ratings, and deposit, loan, or mortgage reports.

A buyer may claim a maximum exemption of $15 million in purchases per calendar year. The exemption expires July 1, 2031.

Purpose

To exempt standard financial information purchased by international investment management companies from sales and use taxes to improve industry competitiveness.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2013
Primary Beneficiaries:	International investment management firms
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.215; 82.12.215 - Nonresident Large Private Airplanes

Description

Sales of large private airplanes to nonresidents are exempt from retail sales and use tax when the airplanes are not required to be registered with the department of transportation under chapter 47.68 RCW. The exemption also applies to charges made for repairing, cleaning, altering, or improving large private airplanes owned by nonresidents. This exemption expires July 1, 2031.

Purpose

To encourage nonresidents to utilize Washington businesses for the purchase, maintenance, and repair of large airplanes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impact less than three taxpayers and any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Nonresident owners of large private airplanes
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2027

82.08.700; 82.12.700 - Boats sold to nonresidents - in-state use permit

Description

A sales and use taxes exemption is provided for sales to a nonresident individual of vessels at least 30 feet in length from a Washington dealer if the purchaser of the vessel purchases and displays a valid use permit. The purchaser must provide proof of their current nonresident status at the time of purchase. Additionally, the purchaser must make an irrevocable election to take the exemption authorized. The use permit issued under this statute is valid for 12 consecutive months from the date of issuance and is not renewable.

Purpose

To increase the time a vessel owned by a nonresident can remain in Washington waters, which encourages purchases of new vessels from Washington dealers and increases tourism in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.729	$0.756	$0.783	$0.811
Local Taxes	$0.328	$0.340	$0.352	$0.365

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.688	$0.783	$0.811
Local Taxes	$0.000	$0.312	$0.352	$0.365

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Nonresident vessel permit data
- Economic and Revenue Forecast Council, March 2023 forecast

82.08.700; 82.12.700 - Boats sold to nonresidents - in-state use permit

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Nonresident boat owners
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.701 Salmon recovery grants

Description	Governmental grants and amounts from Indian tribes received by certain nonprofit organizations for purposes of renewing, restoring, or protecting salmon ecosystems or salmon habitats in Washington are deductible from the gross amount subject to sales tax.
Purpose	To encourage restoration of salmon habitat.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This deduction impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2021
Primary Beneficiaries:	Nonprofit organizations restoring salmon habitat
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.08.798; 82.12.798 - Feminine hygiene products

Description

Purchases of feminine hygiene products are exempt from sales and use taxes. "Feminine hygiene products" means sanitary napkins, tampons, menstrual cups, or any other similar products sold at retail designed specifically to catch menstrual flow either internally or externally.

Purpose

To provide relief for certain individuals for a product that is fundamental to personal hygiene and health.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.850	$0.881	$0.912	$0.944
Local Taxes	$0.382	$0.396	$0.410	$0.424

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.808	$0.912	$0.944
Local Taxes	$0.000	$0.363	$0.410	$0.424

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2020
Primary Beneficiaries:	People who purchase feminine hygiene products
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.803; 82.12.803 - Nebulizers

Description

A nebulizer is a device that converts a liquid medication into a mist the patient inhales. Nebulizers prescribed for human use by a physician are exempt from sales and use taxes. The exemption includes repair and replacement parts for nebulizers, as well as labor and service charges for cleaning, repairing, etc. Sellers must collect the sales tax, and the buyer must apply to the department for a refund.

Purpose

Reduces the cost of nebulizers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.479	$0.497	$0.515	$0.533
Local Taxes	$0.215	$0.224	$0.232	$0.240

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.456	$0.515	$0.533
Local Taxes	$0.000	$0.205	$0.232	$0.240

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census, Population data
- Grandview Research, "Nebulizer market size, Share & Growth Analysis Report, 2030."

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1981
Primary Beneficiaries:	Persons who use prescribed nebulizers
Taxpayer Count:	430,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.08.804; 82.12.804 - Ostomic items

Description

Ostomic items used by colostomy, ileostomy or urostomy patients are exempt from sales and use taxes. Ostomic items refer to disposable medical supplies such as bags, belts, tape, tubes, soap, jellies, germicides, etc. The exemption does not extend to undergarments, pads or shields, sponges, or rubber sheets.

Purpose

Reduces the cost of ostomic items.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.382	$1.432	$1.482	$1.542
Local Taxes	$0.620	$0.650	$0.670	$0.690

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.312	$1.482	$1.542
Local Taxes	$0.000	$0.590	$0.670	$0.690

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Health Care Authority, Ostomy and drug delivery items expenditures
- U.S. Census, Population data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1988
Primary Beneficiaries:	Consumers of ostomic items
Taxpayer Count:	15,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.08.805; 82.12.805 - Aluminum smelter purchases

Description

Aluminum smelter businesses may qualify for a credit of the state portion of sales and use taxes paid for tangible personal property that will be incorporated as an ingredient or component of buildings or structures at an aluminum smelter and for labor and services rendered with respect to the construction of such buildings or structures. The credit may not be claimed for taxable events occurring on or after January 1, 2027.

A business claiming this B&O tax credit must file an annual tax performance report with the department.

Purpose

To support the aluminum industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Aluminum smelters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 with an upcoming review in 2024

82.08.806; 82.12.806 - Computer equipment for printers and publishers

Description

Purchases of computer equipment and software, including digital cameras, used primarily in the printing and publishing of all printed materials, are exempt from sales and use taxes. Charges for installation and other related services are also exempt. However, computers and software used primarily for administrative purposes are not exempt.

Purpose

To provide a tax incentive for the printing and publishing industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Printing industry is declining. Annual 3.6% growth rate based on IBIS World 2022 analysis of the printing industry.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- IBIS World, Printing industry analysis
- Smithers.com, "Printing industry shrinks nearly 15% to 2022."
- U.S. Census Bureau, "Internet Crushes Traditional Media: From Print to Digital."

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Newspapers and other printers and publishers
Taxpayer Count:	265
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016

82.08.807; 82.12.807 - Direct mail delivery charges

Description

Delivery charges made for direct mail are exempt from sales and use taxes if the charges are stated separately on the bill given to the purchaser. Direct mail refers to printed material delivered without charge to a mass group, or a mailing list provided by the purchaser.

Purpose

To exempt from delivery charges (postage) for direct mail from taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.390	$0.400	$0.420	$0.430
Local Taxes	$0.170	$0.180	$0.190	$0.190

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.370	$0.420	$0.430
Local Taxes	$0.000	$0.166	$0.190	$0.190

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Direct mailers paying for delivery
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2026

82.08.808; 82.12.808 - Comprehensive cancer centers

Description

Sales of medical supplies, chemicals, or materials to a comprehensive cancer center are exempt from retail sales and use taxes. The exemption does not extend to the sale of construction materials, office equipment, building equipment, administrative supplies, or vehicles.

Purpose

To encourage cancer research by a comprehensive cancer center.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Financial statement of the business

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Comprehensive cancer centers
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.08.810; 82.12.810 - Air pollution control facilities

Description

Sales of tangible personal property and charges for labor and services performed in respect to the construction or installation of air pollution control facilities at a thermal electric generating facility placed in operation after December 31, 1969, and before July 1, 1975, are exempt from sales and use taxes. The exemption is contingent upon production levels for the plant being maintained above the 20% annual capacity factor between 2003 and 2022. All or a portion of the tax previously exempted must be repaid if production falls below this level.

Purpose

To encourage the construction or installation of air pollution control devices at the Centralia coal fired thermal generating plant.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would not increase revenues due to Centralia plant closing by end of 2025.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Thermal electric generating facility
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.08.811; 82.12.811 - Coal for thermal generating plants

Description

Purchases of coal used at a thermal electric generating facility placed in operation after December 3, 1969, and before July 1, 1975, are exempt from sales and use taxes. The exemption is contingent upon the following:

- Owners of the plant demonstrate to the Department of Ecology that progress is being made to install the necessary air pollution control devices.
- The facility has emitted no more than 10,000 tons of sulfur dioxide during the previous 12 months.

Purpose

To encourage installation of air pollution control devices at the Centralia coal fired thermal generating plant.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would not increase revenues due to Centralia plant closing by end of 2025.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	The Centralia thermal generating plant
Taxpayer Count:	Fewer than three
Program Inconsistency:	None
JLARC Review:	JLARC completed a full review in 2017

82.08.814, 82.12.814 - Mobility enhancing equipment

Description

The sale or use of mobility enhancing equipment used by or for a complex needs patient is exempt from sales and use taxes. The equipment must meet the user's specific and unique medical, physical, and functional needs and capacities for basic activities when medically necessary to prevent hospitalization or institutionalization.

To claim the exemption, the buyer must provide the seller with an exemption certificate.

"Complex needs patient" means an individual with a diagnosis or medical condition that results in significant physical or functional needs and capacities.

Purpose

To reduce the cost of complex needs mobility enhancing equipment for individuals.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.251	$0.304	$0.316	$0.327
Local Taxes	$0.113	$0.137	$0.142	$0.147

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.278	$0.316	$0.327
Local Taxes	$0.000	$0.125	$0.142	$0.147

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Centers for Medicare and Medicaid Services, Medical enrollment data
- Office of the Insurance Commissioner, Medical enrollment data
- Healthcare Authority, Complex rehabilitation technology expenditures

82.08.814, 82.12.814 - Mobility enhancing equipment

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2023
Primary Beneficiaries:	Individuals using mobility enhancing equipment
Taxpayer Count:	390,000
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.816(1)(a-d); 82.12.816(1)(a-c) - Electric vehicle battery charging stations

Description

The law provides an exemption of sales and use taxes on sales of batteries, fuel cells and infrastructure for electric or hydrogen vehicles. The exemption is available on the sale of, or charge made for:

- Batteries and fuel cells for electric and hydrogen vehicles.
- Labor and services rendered in respect to installing, repairing, altering, or improving electric vehicle batteries or fuel cells for hydrogen vehicles.
- Labor and services rendered in respect to installing, constructing, repairing, or improving electric and hydrogen vehicle infrastructure.
- Tangible personal property that will become a component of electric or hydrogen vehicle infrastructure during the course of installing, constructing, repairing, or improving electric or hydrogen vehicle infrastructure.

This exemption also includes hydrogen fueling stations, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities.

These exemptions expire July 1, 2025.

Purpose

To encourage the use of battery and hydrogen electric vehicles through the sale of electric vehicle batteries and fuel cells, as well as the installation of electric and hydrogen vehicle infrastructure.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.780	$1.010	$1.380	$1.630
Local Taxes	$0.350	$0.460	$0.620	$0.730

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.930	$1.380	$1.630
Local Taxes	$0.000	$0.420	$0.620	$0.730

82.08.816(1)(a-d); 82.12.816(1)(a-c) - Electric vehicle battery charging stations

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the battery electric and plug-in hybrid vehicle growth rate reflected in the Transportation Revenue Forecast's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Douglas County Public Utility District (PUD) broke ground on the only known green/renewable hydrogen production facility in Washington in March 2021.
- Douglas County PUD anticipates green/renewable hydrogen production beginning June 2024.
- Department of Energy published the Hydrogen Fueling Station Cost Report in November 2020. Based on the report, the average cost for a hydrogen fueling station is $1.9 million.
- California Air Resources Board published the 2018 Annual Evaluation of Fuel Cell Electric Vehicle Deployment & Hydrogen Fuel Station Network Development. As of 3/26/19, California has 39 fueling stations with an addition 25 more in development. In 2015, five fueling stations were opened. This number jumped to 19 additional stations built in 2016. There are currently two hydrogen fueling stations planned in Washington. Based on California's implementation, Washington will continue installing at least one hydrogen fueling station a year to build up the infrastructure.

Data Sources

- Department of Revenue, Excise tax data
- Office of Financial Management, March 2023 Transportation Revenue Forecast
- Taylor, J., (2023, February 16). "Douglas PUD Takes Another Stride Towards Hydrogen Plant."
- Department of Energy, (2020, November 2). "Hydrogen Fueling Station Cost."
- California Fuel Cell Partnership, Hydrogen fueling station list
- Rosane, E., (2021, May 5). "Chehalis Will Be Home of State's First Hydrogen Refueling Station."

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Owners of electric or hydrogen vehicles
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017 with an upcoming review in 2024

82.08.816(1)(e), 82.12.816(1)(d) - Zero emissions buses

Description

Zero emission buses are exempt from sales and use taxes. Zero emission bus means a bus that emits no exhaust gas from the onboard source of power, other than water vapor.

This exemption expires July 1, 2025.

Purpose

To encourage the sale of zero emission buses.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.640	$2.780	$2.940	$11.590
Local Taxes	$1.130	$1.200	$1.260	$4.980

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.550	$2.940	$11.590
Local Taxes	$0.000	$1.100	$1.260	$4.980

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The demand for electric buses will grow 5.5% annually due to government initiatives and grants to purchase renewable energy buses.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- King County Metro plans on purchasing 120 electric buses in 2024, 250 in 2027, and operating a 100% zero-emissions fleet in 2035.
- Other transit agencies will be upgrading their fleets with electric buses as funding allows, but at a slower pace than King County Metro.

Data Sources

- Department of Revenue, Excise tax data
- Mordor Intelligence, "North America Electric Bus Market- Size, Share, COVID-19 Impact and Forecasts up to 2028 report."
- Department of Ecology, (2019, June 12). "50 Electric Buses Coming to Washington Transit Agencies."
- - King County Metro, (2022, April 8). "Transitioning to a Zero-emissions Fleet."

82.08.816(1)(e), 82.12.816(1)(d) - Zero emissions buses

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses purchasing zero emission buses
Taxpayer Count:	6
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2024

82.08.820; 82.12.820 - Warehouses and grain elevators more than 200,000 square feet

Description

Certain warehouses and grain elevators are eligible for an exemption in the form of a remittance of the state sales and use taxes paid on purchases of machinery and on materials and labor for construction of these facilities. The remittance does not include local sales and use taxes.

Warehouses more than 200,000 square feet in size receive an exemption equal to:

- 100% of the state sales and use taxes paid on construction.
- 50% of the state sales and use taxes paid on equipment, including materials handling and racking equipment, as well as labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

Grain elevators receive an exemption of state sales and use taxes paid based on capacity of the facility:

- 50% exemption with bushel capacity of one million, but less than two million.
- 100% exemption with bushel capacity of two million or more.

Purpose

To encourage construction of warehouses and grain elevators in Washington and to increase the competitiveness of the warehouse and distribution industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.700	$8.700	$8.700	$8.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$8.000	$8.700	$8.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth assumed, as reimbursements from this program have been volatile.

Data Sources

- Department of Revenue, Excise tax data

82.08.820; 82.12.820 - Warehouses and grain elevators more than 200,000 square feet

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Warehousers, distribution centers, and grain elevators
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.08.830 - Nonprofit camps and conference centers

Description

Items sold by nonprofit organizations at camps or conference centers are exempt from sales tax if:

- The sale takes place on property exempt from the property tax.
- The income from the sale is exempt from B&O tax.

The exemption applies to lodging, parking, food and meals, books, tapes, and other products available only to participants of the camp or conference center event and not to the general public.

Purpose

To reduce the cost of operating camps and conference centers and to support nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.410	$0.433	$0.478	$0.517
Local Taxes	$0.184	$0.199	$0.215	$0.232

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.406	$0.478	$0.517
Local Taxes	$0.000	$0.183	$0.215	$0.232

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Camps generated $26 billion in revenue nationally in 2021.
- Nonprofit organizations receiving a property tax exemption in Washington own and operate 2% of nationwide camps.
- Camp revenues grow 8% annually and store sales represent 1% of the revenue.

Data Sources

- Department of Revenue, Property tax data
- American Camp Association, Nationwide camp statistics
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1997
Primary Beneficiaries:	Participants at nonprofit camps and conferences
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014

82.08.832; 82.12.832 - Gun safes

Description

Sales and use taxes do not apply to the sale of gun safes. Gun safes are locked enclosures specifically designed to store firearms. The deduction does not include trigger lock devices.

Purpose

To encourage the purchase and use of gun safes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.831	$0.871	$0.901	$0.931
Local Taxes	$0.380	$0.390	$0.400	$0.420

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.791	$0.901	$0.931
Local Taxes	$0.000	$0.360	$0.400	$0.420

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise Tax Return data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1998
Primary Beneficiaries:	Purchasers of safes
Taxpayer Count:	70
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.08.834; 82.12.834 - Regional Transit Authority Sales and Leasebacks

Description

Lease payments or options to purchase at the conclusion of a lease in conjunction with a sale and leaseback arrangement involving a regional transportation authority (RTA) are exempt from retail sales and use taxes. Qualification requires that the seller/lessee previously paid any tax otherwise due on the original acquisition of the tangible personal property.

Purpose

A sale and leaseback arrangement is a financing mechanism used by the RTA to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2000
Primary Beneficiaries:	Regional transit authority
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2020

82.08.850; 82.12.850 - Conifer seedlings exported

Description

Sales of conifer seeds immediately placed in freezer storage operated by the seller are exempt from sales and use taxes. The conifer seeds must be used for growing timber outside of Washington, or in Indian country by an Indian tribe.

Purpose

To eliminate the tax disadvantage for Washington conifer seed producers compared with out-of-state producers.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

- This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

- Department of Revenue, Excise tax data
- Forest Seedling Network

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	A small number of Washington vendors of forest seedlings
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015 and 2018

82.08.855; 82.12.855 - Farm machinery replacement parts and repair

Description

Replacement parts, including, installation or repair, for farm machinery primarily used in the production of agricultural products are exempt from sales and use taxes. The exemption is available to farmers actively engaged in producing agricultural products which resulted in at least $10,000 in gross proceeds in the previous year. Replacement parts do not include consumable supplies such as fuel or oil.

Purpose

Supports the agricultural industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$22.545	$23.424	$24.337	$25.287
Local Taxes	$6.517	$6.771	$7.035	$7.310

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$21.472	$24.337	$25.287
Local Taxes	$0.000	$4.840	$7.035	$7.310

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate based on compound growth of the last 5 years of farm supplies and repairs expenditures.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.
- Two-thirds of farm supplies and repairs expenditures are for machinery parts and repair.

Data Sources

- U.S. Department of Agriculture, Farm production expenditures summaries
- Joint Legislative Audit and Review Committee references

82.08.855; 82.12.855 - Farm machinery replacement parts and repair

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2004
Primary Beneficiaries:	Farmers
Taxpayer Count:	14,700 farmers
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.08.865; 82.12.865 - Fuel used on farms

Description

Diesel fuel, biodiesel fuel and aircraft fuel sold to a farmer or a person who provides horticulture services for farmers are exempt from sales and use taxes. The fuel may not be used on public highways or for heating of water or space for human habitation.

Purpose

Supports Washington farmers and those who use aircraft on their farms for crop dusting.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$36.493	$39.881	$41.861	$43.940
Local Taxes	$10.550	$11.529	$12.102	$12.703

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$36.559	$41.861	$43.940
Local Taxes	$0.000	$9.610	$12.102	$12.703

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Average growth rate over the last 10 years for fuel consumption by farmers is 5%.
- Price of Washington retail diesel price mirrors the Office of Financial Management forecast.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Excise tax data
- Office of Financial Management, Quarterly fuel prices 2023 forecast
- Joint Legislative Audit & Review Committee references
- U.S. Energy Information Administration, Washington No. 2 diesel sales/deliveries to farm consumers

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2006
Primary Beneficiaries:	Washington farms or crop dusters that power their farm equipment or aircraft with diesel.
Taxpayer Count:	800
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.08.870; 82.12.845 - Motorcycles used for rider training programs

Description

Sales tax does not apply to sales of motorcycles purchased for use in a motorcycle rider-training program conducted by the Department of Licensing (DOL). Use tax does not apply to motorcycles loaned to DOL or people contracting with DOL for use in a motorcycle rider-training program.

Purpose

Supports motorcycle rider-training programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- One motorcycle purchased by each motorcycle rider-training school each year.
- Average cost of motorcycles purchased by motorcycle rider-training school is $4,000.

Data Sources

- Department of Licensing, Motorcycle training school data
- Economic and Revenue Forecast Council, March 2023 forecast
- J.D. Power, Motorcycle cost data

82.08.870; 82.12.845 - Motorcycles used for rider training programs

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2001
Primary Beneficiaries:	Department of Licensing and their contractors who provide motorcycle training
Taxpayer Count:	9
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2019

82.08.875; 82.12.875 - Automotive adaptive equipment

Description

Eligible purchasers of prescribed add-on automotive adaptive equipment, including charges incurred for labor and services rendered in respect to the installation and repairing of such equipment are exempt from sales and use taxes.

Eligible purchaser means a veteran, or member of the armed forces serving on active duty, who is disabled, regardless of whether the disability is service connected as defined by federal statute 38 U.S.C. Sec. 101, as amended, as of January 1, 2018.

The exemption only applies if the eligible purchaser receives a reimbursement in whole or part for the purchase by the U.S. Department of Veterans Affairs or another federal agency. The federal agency pays the reimbursement directly to the seller. This exemption expires July 1, 2028.

Purpose

To decrease the costs of prescribed add-on automotive adaptive equipment to veterans.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.230	$0.230	$0.230	$0.230
Local Taxes	$0.100	$0.100	$0.100	$0.100

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.210	$0.230	$0.230
Local Taxes	$0.000	$0.095	$0.100	$0.100

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Impact remains the same due to cyclical use.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data.

82.08.875; 82.12.875 - Automotive adaptive equipment

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2013
Primary Beneficiaries:	Purchasers of prescribed add-on automotive adaptive equipment
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.08.880; 82.12.880 - Livestock medicine

Description

Pharmaceuticals used by farmers for livestock are exempt from sales and use taxes. The U.S. Department of Agriculture (USDA) or the Food and Drug Administration (FDA) must approve the drug. The exemption applies to sales made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

Purpose

Supports the agricultural industry by offsetting the high cost of medicine for livestock.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.158	$0.158	$0.158	$0.158
Local Taxes	$0.046	$0.046	$0.046	$0.046

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.145	$0.158	$0.158
Local Taxes	$0.000	$0.042	$0.046	$0.046

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth due to fluctuations in sales volumes of livestock pharmaceuticals occurring over time in response to various factors including changing animal health needs or changes in animal populations.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- U.S. Department of Agriculture, Washington farm data
- U.S. Food & Drug Administration, Food-producing animals data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Farmers and veterinarians purchasing pharmaceuticals for animals raised to produce agricultural products for sale
Taxpayer Count:	16,000
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

82.08.890; 82.12.890 - Livestock nutrient management

Description

Equipment used for livestock nutrient management, including the maintenance and repair of equipment, as well as the installation in a facility, are exempt from sales and use taxes. The exemption applies to purchases made after the management plan is certified. The facilities and equipment must be used exclusively for the handling and treatment of livestock manure, including repair and replacement parts for such equipment.

Purpose

To support the Washington dairy industry and livestock feeding operations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.218	$0.218	$0.218	$0.218
Local Taxes	$0.063	$0.063	$0.063	$0.063

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.200	$0.218	$0.218
Local Taxes	$0.000	$0.053	$0.063	$0.063

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth due to varying purchases by a fairly stable dairy industry.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Excise tax data
- Joint Legislative and Audit Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1997
Primary Beneficiaries:	Dairies and livestock operations
Taxpayer Count:	Around 300 Dairies
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020

82.08.900(1)(a); 82.12.900(1) - Biogas from a landfill processing equipment

Description

Persons purchasing equipment necessary to process biogas from a landfill into marketable coproducts, including but not limited to biogas conditioning, compression, and electrical generation equipment, or to services rendered in respect to installing, constructing, repairing, cleaning, altering, or improving equipment necessary to process biogas from a landfill into marketable coproducts are exempt from retail sales and use tax.

A person claiming this exemption must keep records necessary for the department to verify eligibility and provide an exemption certificate to the seller.

Purpose

To support landfills in order to stimulate investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.149	$0.149	$0.149	$0.149
Local Taxes	$0.047	$0.047	$0.047	$0.047

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.137	$0.149	$0.149
Local Taxes	$0.000	$0.043	$0.047	$0.047

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth is assumed as no new projects to process biogas from a landfill are going to be operational within the estimate period.
- Annual operation and maintenance costs of equipment for compression and treatment of gas to remove non-methane trace compounds is $90 per cubic feet per minute of capacity.
- Annual operation and maintenance costs of engines and turbines used to generate electricity is $180 per kilowatt hour generated.
- Local revenue estimates use the average local sales and use tax rate for Benton, King, Klickitat, and Pierce Counties.

Data Sources

- U.S. Environmental Protection Agency, Landfill methane outreach program
- Environmental and Energy Study Institute, Landfill methane fact sheet

82.08.900(1)(a); 82.12.900(1) - Biogas from a landfill processing equipment

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2018
Primary Beneficiaries:	Landfill owners
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Upcoming review in 2026

82.08.900(1)(b); 82.12.900(2) - Anaerobic digesters for dairies

Description

Persons establishing or operating anaerobic digesters are exempt from sales and use taxes on certain purchases, including labor charges. The exemption covers installation, construction, repairs, cleaning, altering or improvements to an anaerobic digester and the equipment necessary to process the biogas into marketable coproducts.

A person claiming this exemption must keep records necessary for the department to verify eligibility and provide an exemption certificate to the seller.

Purpose

To support anaerobic digesters in order to stimulate investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.306	$0.306	$0.306	$0.306
Local Taxes	$0.088	$0.088	$0.088	$0.088

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.281	$0.306	$0.306
Local Taxes	$0.000	$0.073	$0.088	$0.088

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth due to small number of digesters.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Washington dairies
Taxpayer Count:	Around 10 dairy digesters
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2020

82.08.910; 82.12.910 - Gas used to heat chicken houses

Description

Poultry farmers are exempt from the sales and use taxes on the purchases of propane or natural gas used to heat structures that house chickens. The propane or natural gas must exclusively heat structures that exclusively house chickens sold as agricultural products.

Purpose

To support the poultry industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.950	$1.990	$2.040	$2.080
Local Taxes	$0.560	$0.580	$0.590	$0.600

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.824	$2.040	$2.080
Local Taxes	$0.000	$0.483	$0.590	$0.600

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth of 6% based on historical values of egg production.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- U.S. Department of Agriculture, Boiler production and 2022 Washington Annual Statistical Bulletin
- Joint Legislative Audit and Review Committee references

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2001
Primary Beneficiaries:	Poultry producers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.08.920; 82.12.920 - Chicken bedding materials

Description

Farmers who raise chickens for sale as agricultural products are exempt from the sales and use taxes on purchases of chicken bedding materials. Qualifying bedding materials accumulate and facilitate the removal of chicken manure.

Purpose

This exemption supports the poultry industry.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.480	$0.490	$0.510	$0.520
Local Taxes	$0.140	$0.140	$0.150	$0.150

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.449	$0.510	$0.520
Local Taxes	$0.000	$0.117	$0.150	$0.150

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Specific data for farmer purchases of bedding materials for chicken houses is not available. Therefore, used egg and boiler production to calculate cost of bedding as a percent of total.
- Annual growth of 6% based on historical values of egg production.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- U.S. Department of Agriculture, Boiler production and 2022 Washington Annual Statistical Bulletin
- National Agricultural Statistics Service, Agriculture bulletins

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2006
Primary Beneficiaries:	Chicken producers
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015 and expedited review completed in 2018

82.08.925; 82.12.925 - Dietary supplements

Description

Dietary supplements for human use, dispensed to patients pursuant to a prescription, are exempt from sales and use taxes.

Purpose

To lessen the cost of prescribed dietary supplements.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.880	$12.320	$12.760	$13.200
Local Taxes	$5.340	$5.540	$5.740	$5.940

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$11.300	$12.760	$13.200
Local Taxes	$0.000	$5.080	$5.740	$5.940

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- 10% of the dietary supplements purchased are prescribed.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Nutrition Business Journal, 2015 Supplement Business Report
- U.S. Census, Population data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2003
Primary Beneficiaries:	Persons who take dietary supplements
Taxpayer Count:	3.9 million
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.08.935; 82.12.935 - Drug delivery systems

Description

Disposable devices used to deliver drugs for human use are exempt from sales and use taxes. This includes single use items such as syringes, tubing, and catheters.

Purpose

To reduce the cost of single use drug delivery systems.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.534	$2.624	$2.724	$2.815
Local Taxes	$1.140	$1.180	$1.220	$1.270

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.404	$2.724	$2.815
Local Taxes	$0.000	$1.080	$1.220	$1.270

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- One fourth of the population uses some type of drug delivery system each year.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Health Care Authority, Ostomy and drug delivery items expenditures
- U.S. Census, Population data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2003
Primary Beneficiaries:	Persons using disposable devices used to deliver drugs.
Taxpayer Count:	1.9 million
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013 and 2021

82.08.940; 82.12.940 - Over-the-counter drugs that sold by prescription

Description

Over-the-counter drugs for human use are exempt from sales and use taxes if they are either:

- Prescribed directly for patients.
- Purchased by hospitals or other medical facilities and prescribed to patients.

Purpose

Reduces the cost of over-the-counter drugs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$41.740	$42.130	$42.560	$42.980
Local Taxes	$18.770	$18.950	$19.140	$19.330

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$38.620	$42.560	$42.980
Local Taxes	$0.000	$17.370	$19.140	$19.330

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management's November 2022 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Over-the-counter drugs sold by prescription represent 5% of the prescription drug exemption amounts.

Data Sources

- Department of Revenue, Excise tax data
- Office of Financial Management, Forecasting and Research Division, November 2022 forecast

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2013
Primary Beneficiaries:	Persons using prescribed over-the-counter drugs
Taxpayer Count:	1,900
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.945; 82.12.945 - Kidney dialysis equipment

Description

Kidney dialysis devices for human use are exempt from sales and use taxes. The exemption includes repair and replacement parts for the equipment.

Purpose

To reduce the cost of dialysis equipment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.980	$8.280	$8.580	$8.880
Local Taxes	$3.590	$3.730	$3.860	$4.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.590	$8.580	$8.880
Local Taxes	$0.000	$3.410	$3.860	$4.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Fact.MR, "Kidney Dialysis Equipment and Supplies Market Outlook (2022-2026)"
- U.S. Census, Population data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2001
Primary Beneficiaries:	Hospitals and clinics that purchase kidney dialysis equipment
Taxpayer Count:	11,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.08.950; 82.12.950 - Electricity and steam

Description

This statute specifically exempts electricity and steam from sales and use taxes.

Note: This exemption does not change the taxability of electricity and steam. The definition of tangible personal property subject to Washington sales and use taxes exclude the sale of electricity and steam. The exemption was necessary to bring Washington sales tax law into conformity with the Streamline Sales and Use Tax Agreement.

Purpose

For consistency with the Streamlined Sales and Use Tax Agreement.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This statute is necessary for definitional purposes only.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2003
Primary Beneficiaries:	Purchasers of electricity and steam
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.08.956; 82.12.956 - Hog fuel used to produce energy

Description

The law provides sales and use taxes exemptions on purchases of hog fuel used to produce electricity, steam, heat, or biofuel.

Buyers must provide the seller with an exemption certificate as well as complete an annual tax performance report for each facility owned or operated in Washington.

The exemption and annual reporting requirement expire June 30, 2034.

Purpose

To promote diversified renewable energy use.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.993	$1.973	$1.943	$1.923
Local Taxes	$0.580	$0.570	$0.560	$0.560

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.653	$1.943	$1.923
Local Taxes	$0.000	$0.520	$0.560	$0.560

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Hog fuel exemption future growth declines 1.2% annually, based on the annual tax savings reported the past seven years.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Annual tax performance reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Forest products industry
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2019

82.08.962(1)(c)(i)(A),(ii),(iii); 82.12.962(1)(c)(i)(A),(ii),(iii) - Renewable energy equipment capable of generating not less than 1,000 watts of electricity

Description

A sales and use taxes exemption is available for machinery and equipment used directly in generating electricity from wind, sun, fuel cells, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas as the principal source of power. To qualify for the exemption, the purchaser must use the machinery and equipment to develop a facility capable of generating at least 1,000 watts of electricity. The exemption also includes sales or charges made for installation labor and services of qualifying machinery and equipment.

From July 1, 2009, through June 30, 2011, qualifying purchases were eligible for a 100% exemption.

From July 1, 2011, through December 31, 2019, qualifying purchases were eligible for a 75% exemption in the form of a refund to the purchaser.

From October 1, 2017, through December 31, 2019, the exemption did not apply to sales of solar energy systems, unless the system was capable of generating more than 500 kW of electricity.

Beginning January 1, 2020, the exemption changed to the following:
- 50% of state and local sales and use taxes paid if the Department of Labor and Industries (LNI) certifies the project included procurement from and contracts with women, minority, or veteran-owned businesses. The project will still qualify for 50% exemption if the developer supports they made a good faith effort to meet the standards. This exemption includes solar energy systems capable of generating more than 100 kilowatts but less than 500 kilowatts of electricity.
- 75% of state and local sales and use taxes paid if the LNI certifies the project meets the standards stated at the 50% level as well as compensates workers at prevailing wage rates determined by local collective bargaining determined by the LNI.
- 100% of the state and local sales and use taxes paid if the LNI certifies the project is developed under a community workforce agreement or project labor agreement.

The installation of the qualifying machinery and equipment must commence after January 1, 2020, and be completed no later than December 31, 2029. The exemption expires January 1, 2030.

Purpose

To support production of renewable energy sources.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.210	$0.228	$0.249	$0.271
Local Taxes	$0.094	$0.103	$0.112	$0.122

82.08.962(1)(c)(i)(A),(ii),(iii); 82.12.962(1)(c)(i)(A),(ii),(iii) - Renewable energy equipment capable of generating not less than 1,000 watts of electricity

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.209	$0.249	$0.271
Local Taxes	$0.000	$0.094	$0.112	$0.122

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 9% for renewable energy markets that qualify for remittance.
- Renewable energy includes energy from wind, biomass, geothermal, and conversion of exhausts.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%

Data Sources

- Department of Revenue, Remittance data
- Department of Commerce, Fuel sources data
- Globenewswire.com, Renewable energy growth

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Purchasers of renewable energy equipment
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011

82.08.962(1)(c)(i)(B); 82.12.962(1)(c)(i)(B) - Solar energy equipment capable of generating more than 100 kilowatts AC but no more than 500 kilowatts AC of electricity

Description

Beginning with projects installed after January 1, 2020, solar energy systems capable of generating more than 100 kilowatts (kW) but no more than 500 kW of electricity are eligible for an exemption in the form of a remittance of the state and local sales and use taxes paid on purchases of machinery and equipment used directly to generate electricity, and labor and services rendered to install such machinery and equipment.

The Department of Labor and Industries must certify the project has met certain wage and labor requirements. The purchaser must provide the following documentation to the department as part of the application to qualify for the remittance:

- A copy of the contractor's certificate of registration.
- The contractor's current state unified business identifier number.
- A copy of the contractor's required proof of industrial insurance coverage for the contractor's employees working in Washington; employment security department number; and a state excise tax registration number.
- Documentation of the contractor's history of compliance with federal and state wage and hour laws and regulations.

Installation of qualifying machinery and equipment must be completed before January 1, 2030, to qualify for the remittance.

Purpose

To support production of renewable energy sources.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.010	$0.011	$0.012	$0.013
Local Taxes	$0.005	$0.005	$0.005	$0.006

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.010	$0.012	$0.013
Local Taxes	$0.000	$0.005	$0.005	$0.006

82.08.962(1)(c)(i)(B); 82.12.962(1)(c)(i)(B) - Solar energy equipment capable of generating more than 100 kilowatts AC but no more than 500 kilowatts AC of electricity

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 9% for renewable energy markets that qualify for remittance.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%

Data Sources

- Department of Revenue, Remittance data
- Department of Commerce, Fuel sources data
- Globenewswire.com, Renewable energy growth

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Purchasers of solar energy equipment
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.962(1)(e); 82.12.962(1)(e) - Solar energy equipment capable of generating no more than 100 kilowatts AC of electricity

Description

Beginning July 1, 2019, purchases of machinery and equipment, and labor and services to install such machinery and equipment, used to generate less than 100 kw electricity, are exempt from sales and use taxes.

To qualify for the exemption, the seller must meet the following requirements at the time of sale:

- Has a contractor's certificate of registration.
- Has a current state unified business identified number.
- As required by law, possesses proof of industrial insurance coverage for the contractor's employees working in Washington; employment security department number; and a state excise tax registration number.
- Has had no findings of violation of federal or state wage and hour laws and regulations in a final and binding order by an administrative agency or court of competent jurisdiction in the past 24 months.

To qualify for this exemption, the purchaser must provide the seller with an exemption certificate, as required by the department.

Installation of qualifying machinery and equipment must be completed before January 1, 2030.

Purpose

To support production of renewable energy sources.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$24.616	$28.308	$32.555	$37.438
Local Taxes	$11.239	$12.925	$14.863	$17.093

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$25.949	$32.555	$37.438
Local Taxes	$0.000	$11.848	$14.863	$17.093

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 15% for the smaller scale solar energy market.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

82.08.962(1)(e); 82.12.962(1)(e) - Solar energy equipment capable of generating no more than 100 kilowatts AC of electricity

Data Sources

- Department of Revenue, Remittance data
- Department of Commerce, Fuel sources data
- Globenewswire.com, Renewable energy growth

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Purchasers of solar energy equipment
Taxpayer Count:	90
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.965; 82.12.965 - Semiconductor materials manufacturing after $1 billion investment - construction costs

Description

Sales and use taxes exemption is available to manufacturers of semiconductor materials who construct new buildings, including parts of new buildings used for qualified manufacturing activities, labor and services in conjunction with construction of facilities for manufacturing semiconductor materials.

To qualify for the sales and use tax exemption the firm must keep at least 75% of the employees they initially showed would constitute full employment for the plant for at least eight years. Failure to meet the 75% employment requirement for any year will result in the loss of one-eighth of the sales and use tax exemption.

This exemption is effective for 12 years following the effective date of the bill, and it is contingent upon commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion.

Purpose

To retain and attract semiconductor businesses in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur prior to January 1, 2024.

Data Sources

- Department of Revenue, Excise tax data

82.08.965; 82.12.965 - Semiconductor materials manufacturing after $1 billion investment - construction costs

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses that manufacture semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2021

82.08.9651; 82.12.9651 - Semiconductor materials manufacturing - gases and chemicals

Description

Sales and use taxes are exempt to manufacturers and processors for hire on purchases of gases and chemicals used to produce semiconductor materials. Manufacturers of silicon solar wafers, silicon solar cells, thin film solar devices, solar grade silicon, or compound semiconductor solar wafers also qualify for this exemption.

A person claiming the exemption under this section must file a complete annual tax performance report.

Any person who has claimed the exemption must reimburse the department for 50% of the amount of the tax exemption, if the number of persons employed by the person claiming the tax preference is less than 90% of the person's three-year employment average for the three years immediately preceding the year in which the exemption is claimed.

This exemption expires December 1, 2028.

Purpose

To encourages the retention of existing persons who manufacture semiconductor in Washington and attracts similar businesses to the state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

82.08.9651; 82.12.9651 - Semiconductor materials manufacturing - gases and chemicals

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Businesses that manufacture semiconductor materials
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 with upcoming review in 2025

82.08.970; 82.12.970 - Semiconductor materials manufacturing after $1 billion investment - gases and chemicals

Description

Manufacturers and processors for hire of semiconductor materials are exempt from sales and use taxes on purchases of gasses and chemicals used in the manufacturing process. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion.

The exemption expires 12 years after the effective date, or January 1, 2024, if the contingency has not occurred.

Purpose

To encourage the retention of existing semiconductor businesses in Washington and attracts similar businesses to Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur prior to January 1, 2024.

Data Sources

- Department of Revenue, Excise tax data

82.08.970; 82.12.970 - Semiconductor materials manufacturing after $1 billion investment - gases and chemicals

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Businesses that manufacture semiconductor materials
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2016 and expedited review completed in 2021

82.08.975; 82.12.975 - Airplane pre-production computer expenditures

Description

Sales of computer hardware, peripherals, or software used primarily in the development, design, or engineering of aerospace products or to provide aerospace services, are exempt from sales and use taxes. Charges for labor and services rendered in respect to installing the computer hardware, peripherals, or software are also exempt from sales and use taxes. This exemption expires July 1, 2040.

Purpose

Encourages the retention and expansion of the aerospace industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.800	$6.900	$7.100	$7.200
Local Taxes	$3.600	$3.700	$3.800	$3.900

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.300	$7.100	$7.200
Local Taxes	$0.000	$3.400	$3.800	$3.900

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer price index reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the urban average local sales and use tax rate of 3.16%.

Data Sources

- Department of Revenue, Annual tax performance reports
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Manufacturers of commercial aircraft and components
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.08.980; 82.12.980 - Commercial airplane facilities on port district property

Description

An exemption from sales and use taxes is available to manufacturers who construct new buildings and/or new parts of buildings that will be used primarily to:

- Manufacture commercial airplanes, airplane fuselages, and airplane wings.
- Store raw materials and finished products.

The exemption applies to charges for:

- Labor and services rendered in respect to the constructing of new buildings.
- Materials incorporated as an ingredient or component during construction.
- Labor and services rendered for installing building fixtures not otherwise eligible for the machinery and equipment exemption.

Port districts, political subdivisions, or municipal corporations may also use this exemption when constructing new facilities to lease to qualifying manufacturers. This exemption expires July 1, 2040.

Purpose

To encourage the building of commercial aircraft assembly facilities in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impact less than three taxpayers and any impacts are confidential.

Data Sources

Department of Revenue, Annual tax performance reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Owners of facilities producing commercial airplanes, fuselages, and wings
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2014 and 2019 with an upcoming review in 2024

82.08.983; 82.12.983 - Wax or ceramic materials used to create molds

Description

Sales of wax or ceramic materials used to create molds consumed during the process of creating ferrous and nonferrous investment castings used in industrial applications are exempt from sales and use taxes. Labor and services used to create patterns and shells used as molds also qualify.

Purpose

To encourage the production of castings in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3.033	$2.967	$3.072	$3.168
Local Taxes	$1.364	$1.334	$1.381	$1.425

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.719	$3.072	$3.168
Local Taxes	$0.000	$1.223	$1.381	$1.425

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Fabricators & Manufacturers Association, Inc., Industry financial statistics

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Businesses creating molds
Taxpayer Count:	41
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.08.985; 82.12.985 - Insulin

Description

Insulin for use by humans is exempt from sales and use taxes.

Purpose

To reduce the cost of insulin.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$55.400	$57.470	$59.540	$61.670
Local Taxes	$24.910	$25.840	$26.770	$27.730

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$52.680	$59.540	$61.670
Local Taxes	$0.000	$23.690	$26.770	$27.730

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rate reflected in the Economic and Revenue Forecast Council's November 2022 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- U.S. Census Bureau, Population data
- Statista, "The U.S. Accounts for Nearly Half of Global Diabetes Drug Sales"
- Statista, "Anti-Diabetes Drugs - Worldwide"

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2004
Primary Beneficiaries:	Persons with diabetes
Taxpayer Count:	520,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 and expedited review completed in 2021

82.08.986; 82.12.986 - Data center equipment and infrastructure

Description

There is a sales and use taxes exemption for qualified purchases of eligible server equipment and eligible power infrastructure for data centers located in a rural county. The exemption also includes charges for labor and services associated with installation of the equipment and power infrastructure.

To qualify, a facility must meet employment and facility size requirements described in statute. In addition, for exemption certificates issued on or after June 9, 2022, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.

This exemption is limited to eight data centers for those that began construction between July 1, 2015, and July 1, 2019, and a total of 12 data centers through June 9, 2022. There is no limitation thereafter, and any number of data centers may be granted certificates if they qualify, unless they are qualifying via refurbishment.

In addition, each year, the department may issue up to six certificates for data centers that qualify through refurbishment.

No new exemption certificates may be issued on or after July 1, 2036. Exemptions expire July 1, 2048.

"Eligible computer data center" requirements:

- Located in a rural county at the time an application for an exemption is received.
- Have at least 20,000 square feet dedicated to housing working servers.
- Commencement of construction occurs:
  - After March 31, 2010, and before July 1, 2011.
  - After March 31, 2012, and before July 1, 2015.
  - After June 30, 2015, and before July 1, 2035.

Purpose

To promote economic development and maintain the state's leadership in technology. It also provides job growth to rural communities in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$77.540	$82.240	$87.040	$89.040
Local Taxes	$22.590	$23.290	$24.790	$25.790

Repeal of exemption

Repealing this exemption would increase revenues.

82.08.986; 82.12.986 - Data center equipment and infrastructure

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$75.380	$87.040	$89.040
Local Taxes	$0.000	$21.350	$24.790	$25.790

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth reflects additional data centers and replacing server equipment.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

Data Sources

- Department of Revenue, Annual tax performance reports

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2010
Primary Beneficiaries:	Data centers located in rural counties
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	2016

82.08.9861; 82.12.9861 - Limited counties data center equipment and infrastructure

Description

There is a sales and use taxes exemption for qualified purchases of eligible server equipment and eligible power infrastructure for data centers located in a county with population over 800,000. The exemption also includes charges for labor, material, equipment, and services associated with installation of the equipment and power infrastructure.

The department may approve:

- Six applications to obtain the exemptions for qualifying businesses in the first calendar year of the exemption; and
- Six applications to obtain the exemptions for qualifying businesses in each year, calendar year three through calendar year six of the exemption. No applications may be approved in year two.

Program requirements:

- To qualify, a facility must meet employment and facility size requirements described in statute. In addition, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.
- The qualifying business must have a minimum of 1.5 megawatts of available power.
- A qualifying tenant must have a minimum electrical capacity of 150 kilowatts for server and computer equipment in a qualifying business. Tenants that previously qualified under the rural county data center program must reapply if they intend to expand into a qualifying business.
- An "eligible computer data center" must have at least 20,000 square feet dedicated to housing working servers.

No new exemption certificates may be issued on or after July 1, 2028. Exemptions expire July 1, 2038.

Purpose

To promote economic development and maintain the state's leadership in technology.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.100	$11.300	$13.900	$17.400
Local Taxes	$3.000	$5.500	$6.700	$8.400

Repeal of exemption

Repealing this exemption would increase revenues.

82.08.9861; 82.12.9861 - Limited counties data center equipment and infrastructure

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.360	$13.900	$17.400
Local Taxes	$0.000	$5.040	$6.700	$8.400

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Data centers located in high populated areas tend to be smaller than those located in rural area. For data centers located in King, Pierce, and Snohomish Counties, assume two data centers at 210,000 square feet, the average size, and four at 100,000 square feet, the minimum size required, for each eligible year. Approximately 50% of the data center is dedicated to server space.
- It takes approximately 18 to 24 months to complete a data center. Until full capacity is reached, 25% of the dedicated server space will be filled each year.
- For a new data center, the average cost per square foot for eligible servers and power infrastructure is $800 per square foot.
- Servers are refreshed every three years. This is due to cost savings and upgrading equipment. The cost for replacement servers and power infrastructure maintenance is $200 per square foot.
- Qualifying businesses and tenants will meet the power requirements prior to applying to the Department.
- Local revenue estimates use the urban average local sales and use tax rate of 3.16%.

Data Sources

- Department of Revenue, Annual tax performance reports, data center applications and buyers' addendums

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Data centers in non-rural counties
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.989; 82.12.989 - Internet and telecommunications infrastructure for tribes

Description

A state sales and use taxes exemption is provided for sales, labor, and services associated with the construction of a qualified infrastructure project (QIP).

The exemption applies to:

- Sales of building materials.
- Telecommunications equipment.
- Personal property used or incorporated into a qualified infrastructure project.
- Charges made for the labor and services related to the construction of a QIP.
- The installation of any equipment or other personal property incorporated into a QIP.

QIP owners must apply to the department for an exemption certificate. The exemption certificate expires on the date the QIP owner certifies the project as operationally complete or January 1, 2030, whichever is first. The total amount of state sales and use tax exempted may not exceed $8 million.

Qualified infrastructure project means the construction of buildings and utilities related to the deployment of modern global internet and telecommunications infrastructure that occurs in part in a distressed county located on the coast of Washington.

QIP owner means a wholly owned subsidiary of a federally recognized tribe located in a county that borders the Pacific Ocean and is developing a qualified infrastructure project.

This exemption expires January 1, 2030.

Purpose

To provide a sales and use taxes exemption for sales, labor, and services associated with the construction of a QIP.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.300	$2.600	$1.950	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.380	$1.950	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

82.08.989; 82.12.989 - Internet and telecommunications infrastructure for tribes

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A new cable landing station will be built on the northwest coast of the U.S. and cost approximately $90 million.
- Groundbreaking to occur in 2024 and expect to be completed by 2026.
- The exemption applies only to a cable landing station constructed in Grays Harbor County and a backhaul network connection from Hoquiam to Centralia, Washington.

Data Sources

- Department of Revenue, Fiscal note data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2023
Primary Beneficiaries:	Quinault Indian Nation
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.990 - Interstate commerce - import and export shipments

Description

The sale of tangible personal property in export commerce is exempt from sales tax.

Tangible personal property is in export commerce when the seller delivers the property to the:

- Buyer in a foreign country.
- Carrier consigned to transport the property to a foreign country.
- Buyer at shipside or aboard the buyer's vehicle of transportation and it is clear the export process has started.
- Buyer who is in Washington if the property can be transported to a foreign destination under its own power, the seller files an export declaration and the buyer immediately transports the product to a foreign country (excludes motor vehicles).

Purpose

Codifies the department's tax policies regarding imports and exports (WAC 458-20-193C). This statute provides clarity concerning the taxation of property in the process of international shipment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenues. These sales would likely be exempt under other statutes (82.08.0254).

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this bill is indeterminate. Due to Substitute Senate Bill 5581 in 2019, foreign sellers must collect and remit tax on the sale, resell, or processing of tangible personal property within Washington.

Data Sources

None

82.08.990 - Interstate commerce - import and export shipments

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	2007
Primary Beneficiaries:	Firms engaged in international trade that ship products across Washington's borders
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.08.993; 82.12.817 - Hydrogen fuel cell electric vehicles

Description

The law provides a sales and use tax exemption for sales and leases of new and used electric passenger cars, light duty trucks, and medium duty passenger vehicles powered by a fuel cell.

Fifty percent of the sales and use taxes are exempt for sales or leases of new vehicles. For the sales or leases of used vehicles, the exemption is limited to the lesser of $16,000 or the fair market value of the vehicle. A person may not claim this exemption if the person claims the exemption under the clean alternative fuel vehicle exemption.

The exemption expires when the cumulative number of qualified new vehicles titled in Washington reaches 650. The exemption expires effective after the last day of the calendar month immediately following the month the department determines the total vehicle count has been reached. The Department of Licensing must collect and provide, upon request, information in a form or manner required by the department to determine the number of exemptions that have been claimed.

The exemption expires the last day following the month the department determined the vehicle count has been met or June 30, 2029; whichever comes first.

Purpose

To encourage the purchase of hydrogen fuel cell electric vehicles.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.042	$0.084	$0.136
Local Taxes	$0.000	$0.020	$0.040	$0.060

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.042	$0.084	$0.136
Local Taxes	$0.000	$0.020	$0.040	$0.060

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A hydrogen production facility is being built in Douglas County and expected to be online in June 2024. Once online, two hydrogen fuel stations will be complete late 2024 and hydrogen fuel vehicle sales will start early 2025.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

82.08.993; 82.12.817 - Hydrogen fuel cell electric vehicles

Data Sources

- Department of Revenue, Excise tax data
- Department of Licensing, Vehicle title data
- KPQ.com, Taylor, J., (2023, February 16). "Douglas PUD Takes Another Stride Towards Hydrogen Plant."

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Customers purchasing hydrogen fuel cell electric vehicles
Taxpayer Count:	120
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.995; 82.12.995 - Public authority sales

Description

Tangible personal property and services provided by a public corporation, commission, or authority are exempt from sales and use taxes when sold to:

- A limited liability company in which the public corporation is the managing member.
- A limited partnership in which the public corporation is the general partner.
- A single-asset entity required by a federal, state, or local housing assistance program and directly or indirectly controlled by the public corporation.

Purpose

Minimizes the tax burden for companies receiving federal grants for low-income housing authorities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Financial statements from qualified taxpayers

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	Public development authorities
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Upcoming review scheduled in 2025

82.08.996, 82.12.996 - Battery powered electric vessels

Description

Sales and use taxes do not apply to the sale or use of:
- New battery-powered electric marine propulsion systems ("EMPSs").
- New vessels equipped with battery powered EMPSs.
- Batteries and battery packs used to exclusively power EMPSs or hybrid EMPSs and labor and services rendered in respect to installing, repairing, altering, or improving such batteries or battery packs.

Only EMPSs, and the batteries or battery packs used exclusively to power them, with continuous power greater than 15 kilowatts qualify for the exemption. "Battery-powered electric marine propulsion systems" are fully electric outboard or inboard motors used by vessels whose sole source of propulsive power is the energy stored in the battery packs and include required accessories, such as throttles, displays, and battery packs. "Vessels" include every new watercraft, other than seaplanes, that are used or capable of being used as a means of transportation on the water.

Additionally, sales and use taxes do not apply to the sale or use of:
- New shoreside batteries purchased and installed for the purpose of reducing grid demand when charging electric and hybrid vessels.
- Labor and services rendered in respect to installing, repairing, altering, or improving shoreside batteries and installing, constructing, repairing, or improving shoreside batteries infrastructure.
- Tangible personal property that will become a component of shoreside batteries infrastructure.

"Shoreside batteries" means batteries installed at a dock or similar location to provide an electric charge to a vessel powered by an electric marine propulsion system. "Shoreside batteries infrastructure" means the shoreside battery bank, charging apparatus, and emergency services generator.

This exemption expires July 1, 2030.

Purpose

To encourage the sale and use of inboard or outboard battery-powered electric marine propulsion systems for vessels and the infrastructure they require.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.010	$0.010	$0.010	$0.010
Local Taxes	$0.004	$0.004	$0.004	$0.004

Repeal of exemption

Repealing this exemption would increase revenues.

82.08.996, 82.12.996 - Battery powered electric vessels

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.010	$0.010	$0.010
Local Taxes	$0.000	$0.003	$0.004	$0.004

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- National annual growth rate for boat sales is 5%.
- Local revenue estimates use the urban average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Businesses and consumers purchasing electric vessels
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.997 - Temporary medical housing

Description

Sales of temporary medical housing provided by health and social welfare organizations are exempt from sales and use taxes.

Purpose

Reduces the cost of temporary housing for patients and their families while undergoing medical treatment.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.238	$0.238	$0.238	$0.238
Local Taxes	$0.336	$0.336	$0.336	$0.336

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.218	$0.238	$0.238
Local Taxes	$0.000	$0.280	$0.336	$0.336

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- About 10 facilities offer temporary medical housing.
- No growth due to small number of hospitality houses with limited number of rooms.
- 90% occupancy rate year around.
- Facilities are located in large cities with an average local tax rate of 3.16%.
- Seattle Convention Center tax rate = 0.07%.

Data Sources

- Healthcare Hospitality Network
- Individual hospitality house websites

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2008
Primary Beneficiaries:	Persons seeking medical treatment away from their homes
Taxpayer Count:	About 10
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

82.08.998; 82.12.998 - Weatherization assistance program

Description

Sales and use taxes do not apply to tangible personal property used in the weatherization of a residence under the low-income residential weatherization program, chapter 70.164 RCW. The exemption only applies to tangible personal property that becomes a component of the residence. Examples of qualifying weatherization materials include, but are not limited to, insulation and sealants, heating and cooling equipment, supplies used to seal and repair ducts. Charges for labor and services used to install these materials are subject to sales tax and use tax.

Purpose

To lower the cost of weatherization improvements so more low-income households receive assistance under the Department of Commerce's weatherization program.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.631	$0.636	$0.636	$0.636
Local Taxes	$0.284	$0.286	$0.286	$0.286

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.583	$0.636	$0.636
Local Taxes	$0.000	$0.262	$0.286	$0.286

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- 25% of spending on weatherization programs is for qualifying materials.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Commerce, Energy Programs in Communities

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2008
Primary Beneficiaries:	Low-income residents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.08.999; 82.12.999 - Joint municipal utility authority

Description

Sales or transfers made between joint municipal utility service authorities and any of its members are exempt from sales and use taxes. A joint municipal utility authority is a municipal corporation formed to better facilitate the joint provision of municipal utility services to the public.

Purpose

To clarify the law and to facilitate the ability of local government utilities to jointly plan, finance, construct, acquire, maintain, operate, and provide facilities and utility services to the public, and to reduce costs and improve the benefits, efficiency, and quality of utility services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The joint municipal utility services statutes already exempt these entities from taxation.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No revenue impact since the joint municipal utility services statutes already exempt these entities from taxation.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2011
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.9994; 82.12.9994 - Bottled water - prescription use

Description

Bottled water dispensed or to be dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or prevention of disease or medical condition is exempt from sales and use taxes.

Purpose

To treat the prescription use of bottled water in a similar manner to all other medical prescriptions. Medical prescriptions are exempt from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Exemption use is minimal and therefore no growth.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2017
Primary Beneficiaries:	Persons without potable water
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.99941; 82.12.99941 - Bottled water - primary water source unsafe

Description

Bottled water purchased by persons whose primary source of drinking water is unsafe is exempt from sales and use taxes.

Purpose

To reduce the cost of required water.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The impacts for this exemption are included with the exemption for bottled water dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or preventions of disease or medical condition.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2017
Primary Beneficiaries:	Persons without potable water
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.9995; 82.12.9995 - Restaurant employee meals

Description

Meals provided to employees of restaurants without specific charge are exempt from sales and use taxes.

Purpose

To resolve a long-standing issue regarding the application of sales and use taxes and to make administration of the sales tax easier for restaurants and the department.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.690	$4.700	$4.720	$4.740
Local Taxes	$2.110	$2.110	$2.120	$2.130

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.550	$0.610	$0.620
Local Taxes	$0.000	$0.250	$0.280	$0.280

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the employment growth rate for the service-providing labor force reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A restaurant employee works an estimated 241 days a year.
- Of the estimated number of employee meals provided to restaurant employees, 29% are provided free of charge.
- An estimated 90% of restaurant employees will receive a free employer-provided meal.
- The average cost of a restaurant employer-provided meal is $4.50.
- A compliance rate of 13% revenue collections applies to each fiscal year of the estimate.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Bureau of Labor Statistics, May 2022 State Occupational Employment and Wage Estimates, Washington
- U.S. Bureau of Labor Statistics, Establishment data table B-2b: Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, not seasonally adjusted
- U.S. Bureau of Labor Statistics, Food from home in U.S. city average, all urban consumers, chained, not seasonally adjusted

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2011
Primary Beneficiaries:	Restaurants
Taxpayer Count:	20,144
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2022

82.08.9996; 82.12.9996 - Vessel deconstruction

Description

Sales and use taxes do not apply to sales of vessel deconstruction performed at a qualified vessel deconstruction facility or at an area over water that has been permitted under section 402 of the clean water act of 1972 for vessel deconstruction.

This exemption expires January 1, 2025.

Purpose

To decrease the number of abandoned and derelict vessels in Washington by lowering the cost of deconstruction.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.050	$0.029	$0.000	$0.000
Local Taxes	$0.020	$0.010	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.025	$0.000	$0.000
Local Taxes	$0.000	$0.010	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 6 months of collections in fiscal year 2025 due to the incentive expiring on January 1, 2025.
- Annual vessel deconstruction costs are extremely varied therefore average amount used to calculate impact.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Department of Natural Resources, Vessel data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2014
Primary Beneficiaries:	Vessel deconstruction businesses
Taxpayer Count:	25
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2017

82.08.9997; 82.12.9997 - Cannabis, tribal contracts

Description

State and local sales and use taxes do not apply to the sale or use of cannabis products covered by a tribal cannabis compact.

Purpose

To treat cannabis compacts in a manner similar to cigarette compacts, as a government-to-government relationship.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The state will not impose its cannabis and sales and use taxes on these products, as the tribes are already imposing their own equivalent taxes under the contracts.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2015
Primary Beneficiaries:	State, local and tribal governments
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.08.9998(1)(a); 82.12.9998 - Medical cannabis sold to qualifying patients

Description

Sales of cannabis products identified by the Department of Health as beneficial for medical use by retailers with medical cannabis endorsements are exempt from sales and use taxes if the sales are to patients or designated providers who have cannabis recognition cards.

The Department of Health identifies these cannabis products as compliant cannabis products.

Purpose

To exempt medically beneficial cannabis from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.877	$0.877	$0.877	$0.877
Local Taxes	$0.394	$0.394	$0.394	$0.394

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.804	$0.877	$0.877
Local Taxes	$0.000	$0.362	$0.394	$0.394

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical cannabis retailers and customers
Taxpayer Count:	156
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.08.9998(1)(b); 82.12.9998 - Low THC products sold to qualifying patients

Description

Sales of cannabis products containing THC with a THC concentration of 0.3% or less are exempt from sales and use taxes. This exemption applies only when retailers with medical cannabis endorsements sell to patients or designated providers who have cannabis recognition cards.

Purpose

To exempt medically beneficial cannabis from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.046	$0.046	$0.046	$0.046
Local Taxes	$0.021	$0.021	$0.021	$0.021

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.042	$0.046	$0.046
Local Taxes	$0.000	$0.019	$0.021	$0.021

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Qualifying THC products are about 5% of medical cannabis sales.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical cannabis retailers and customers
Taxpayer Count:	156
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.08.9998(1)(c); 82.12.9998 - Cannabis with low THC-high CBD ratio

Description

Sales of cannabis products identified by the Department of Health to have a low THC, high CBD ratio and to be beneficial for medical use are exempt from sales and use taxes. This exemption applies only when retailers with medical cannabis endorsements sell to those who can legally purchase cannabis.

Purpose

To exempt medically beneficial cannabis from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.065	$0.065	$0.065	$0.065
Local Taxes	$0.029	$0.029	$0.029	$0.029

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.060	$0.065	$0.065
Local Taxes	$0.000	$0.027	$0.029	$0.029

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical cannabis retailers and customers
Taxpayer Count:	19
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.08.9998(1)(d); 82.12.9998 - Topical low THC sales by health care professionals

Description

Sales by health care professionals of topical, non-ingestible products containing THC with a THC concentration of 0.3% or less, are exempt from sales and use taxes.

Purpose

To exempt medically beneficial cannabis from sales and use taxes.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.014	$0.014	$0.014	$0.014
Local Taxes	$0.006	$0.006	$0.006	$0.006

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.013	$0.014	$0.014
Local Taxes	$0.000	$0.006	$0.006	$0.006

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2015
Primary Beneficiaries:	Medical cannabis recipients
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.08.9998(1)(e)(i); 82.12.9998 - Cannabis and low THC products produced and used by cooperative members

Description

Sales and use taxes do not apply to cannabis products and low THC products (THC content less than 0.3%) produced and used by cooperative members.

Purpose

The legislature does not intend to tax the activities of medical cannabis cooperatives which are barred from selling cannabis.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact is indeterminate, as the number of cooperatives is unknown. However, the impact should be negligible.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Medical cannabis cooperatives
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.08.9998(1)(e)(ii); 82.12.9998 - Resources and labor contributed by medical cannabis cooperative members

Description

Nonmonetary resources and labor contributed by an individual member of a medical cannabis cooperative are exempt from sales and use taxes.

Purpose

Cooperatives grow cannabis for their own medical use and may not sell products. It is the intent of the legislature to exempt this noncommercial activity from taxation.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

Revenue impact is indeterminate because the number of future cooperatives, future resources, and labor contributions is unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Medical cannabis cooperatives
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.08.9999; 82.12.9999 - Alternative fuel vehicles

Description

A sales and use taxes exemption is provided for sales of new and used passenger cars, light duty trucks, and medium duty passenger vehicles which meet one of the following:

- Are exclusively powered by a clean alternative fuel.
- Use at least one method of propulsion that is capable of being recharged from an external source of electricity and are capable of traveling at least 30 miles using only battery power.

"Clean alternative fuel" includes natural gas, propane, hydrogen, and electricity.

New vehicles with a selling price less than $45,000, which includes the trade-in value, qualify for this exemption. Through July 31, 2021, the exemption is a maximum of $25,000 of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle. Beginning August 1, 2021, the exemption is a maximum of $20,000 and decreases to $15,000 on August 1, 2023. The qualification period end date is August 1, 2025.

Used vehicles with a selling price less than $30,000, which includes the trade-in value, qualify for this exemption. The first $16,000 of the selling price or total lease payments made plus the selling price of the leased vehicle, if purchased by the original lessee, is exempt from sales and use taxes.

All leased vehicles signed by the qualification period end date continue to be exempt from retail sales taxes until August 1, 2028, when these sections expire.

Purpose

To encourage the sale and lease of alternative fuel vehicles.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$11.470	$14.710	$3.040	$0.000
Local Taxes	$4.930	$6.320	$1.310	$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$13.480	$4.570	$0.000
Local Taxes	$0.000	$5.800	$1.970	$0.000

82.08.9999; 82.12.9999 - Alternative fuel vehicles

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025 with 3 month collections in fiscal year 2026 due to exemption expiring August 1, 2025.
- Growth rate mirrors the battery electric and plug-in hybrid vehicle growth rate reflected in the Transportation Revenue Forecast's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Excise tax data
- Office of Financial Management, March 2023 Transportation Revenue Forecast
- Department of Licensing, Vehicle title data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2019
Primary Beneficiaries:	Consumer purchasing new and used alternative fuel vehicles
Taxpayer Count:	26,000
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2024

82.12.010(7)(c) - Use tax on rental value

Description

An out-of-state business that brings property into Washington for temporary business use (less than 180 days during a 365 consecutive day period) may compute use tax based on an amount representing the reasonable rental value of the item, rather than the total market value. The usual measure of use tax is the purchase price or the fair market value at the time of first use in Washington.

Purpose

To encourage out-of-state enterprises to do business in Washington by allowing them to use equipment here on a temporary basis without incurring use tax on the full market value.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.159	$1.185	$1.227	$1.271
Local Taxes	$0.521	$0.533	$0.552	$0.572

Repeal of exemption

Repealing this tax preference would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.086	$1.227	$1.271
Local Taxes	$0.000	$0.489	$0.552	$0.572

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- 90 days is the average use in Washington.
- Growth rate mirrors the construction equipment growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Joint Legislative Audit and Review Committee

82.12.010(7)(c) - Use tax on rental value

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1985
Primary Beneficiaries:	Out-of-state businesses with activities in Washington.
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2013 with an upcoming review in 2026

82.12.0203 - Self-produced fuel (refinery fuel gas)

Description

Refinery fuel gas is subject to the following state use tax rate structure in lieu of the 6.5% state use tax rate:

- 0.963 % from January 1, 2018, through December 31, 2018.
- 1.926 % from January 1, 2019, through December 31, 2019.
- 2.889 % from January 1, 2020, through December 31, 2020.
- 3.852 % from January 1, 2021, and thereafter.

However, the use of refinery fuel gas by an extractor or manufacturer is not subject to local use tax when the fuel is used directly in the operation of the particular extractive operation or manufacturing plant that produced or manufactured the same refinery fuel gas.

Purpose

To provide a lower tax rate to improve industry competitiveness.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$5.440	$5.450	$5.090	$5.190
Local Taxes	$4.650	$4.660	$4.350	$4.440

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$5.000	$5.090	$5.190
Local Taxes	$0.000	$4.270	$4.350	$4.440

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Beginning October 1, 2023, all refineries report taxable value of self-produced natural gas at a standard price based on Henry Hub cash market price forecast.
- Henry Hub cash market price forecast is reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Growth rate for natural gas production volume mirrors the department's March 2023 non-general fund forecast for petroleum product volume.
- Average local tax rate is 2.26% among the petroleum refinery locations in Whatcom, Skagit, and Pierce Counties.

Data Sources

- Department of Revenue, Excise tax data and March 2023 non-general fund forecast
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Petroleum refineries
Taxpayer Count:	5
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.12.0208(3) - Digital goods used by students

Description

Use tax is not imposed when students use digital goods furnished by an elementary school, secondary school, or an institution of higher education.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this exemption is indeterminate; however, the impact is likely minimal.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2009
Primary Beneficiaries:	Students
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.12.0208(4)(a)(i) - Digital goods used noncommercially

Description

The use tax is not imposed upon the use of digital goods that are of a noncommercial nature, such as personal emails.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Individuals using digital goods noncommercially are not subject to use tax, therefore repealing this exemption results in no impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2009
Primary Beneficiaries:	Individuals who send emails or otherwise use digital goods noncommercially
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.12.0208(4)(a)(ii) - Digital goods created for internal audience

Description

The use tax is not imposed upon the use of digital goods that are created solely for an internal audience.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this exemption is indeterminate. Repealing this exemption would have an indeterminate impact on revenues since the data regarding digital goods created solely for an internal audience is unattainable.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses that create digital goods solely for internal use
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.12.0208(4)(a)(iii) - Digital goods created for business needs and not for sale

Description

The use tax is not imposed upon the use of digital goods that are created solely for the business needs of the person who created them, if they are not the type of digital good that is offered for sale. Excluded digital goods include business email communications.

Purpose

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this exemption is indeterminate. Digital goods created for business needs and not for sale is unknown.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Businesses that send emails or otherwise use digital goods that are not offered for sale
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.12.0208(5) - Digital products or codes obtained for free by end user

Description

Digital products and digital codes obtained free of charge are exempt from use tax.

Purpose

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would have an indeterminate impact on revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this exemption is indeterminate. No reliable data source was located.

Data Sources

None

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2009
Primary Beneficiaries:	Consumers of digital products or codes
Taxpayer Count:	7.5 million
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.12.022(6); 82.14.230(6) - Natural and manufactured gas used for transportation

Description

The use of natural gas as a transportation fuel, when provided by a person other than a gas distribution business, is exempt from use taxes. The PU tax provides a similar exemption for sales by gas distribution businesses.

Purpose

To promote the use of natural gas as a transportation fuel and consistency in the tax code.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$10.869	$11.786	$13.956	$17.101
Local Taxes	$13.152	$14.261	$16.887	$20.692

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$10.804	$13.956	$17.101
Local Taxes	$0.000	$13.073	$16.887	$20.692

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates mirror the natural gas end-use demand and natural gas price growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Estimates reflect state brokered natural gas rate of 3.85% and average local brokered natural gas rate of 4.66%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Energy, Alternative Fuels Data Center

Additional Information

Additional Information	
Category:	Businesses
Year Enacted:	2014
Primary Beneficiaries:	Buyers and sellers of natural gas as transportation fuel
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review scheduled in 2025

82.12.0251 - Nonresidents' personal property

Description

Use tax does not apply to tangible personal property, digital goods, digital codes, and any services rendered in respect to such property, brought into Washington by a nonresident for temporary use or enjoyment, so long as the item is not used in conducting a non-transitory business activity. This exemption also applies to the use of a motor vehicle registered in another state if the vehicle is not required to be registered in Washington and the use of household goods, personal effects and private motor vehicles (excluding motor homes) by residents of Washington (and nonresident military personnel who are stationed in Washington), if the items were acquired and used while the owner was a resident of another state at least 90 days before entering Washington.

Purpose

To encourage tourism in Washington and to avoid penalizing new residents of Washington by subjecting previously owned items to use tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$3,205.900	$3,315.800	$3,308.700	$3,308.200
Local Taxes	$1,513.400	$1,570.000	$1,624.900	$1,681.200

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$395.140	$860.260	$1,290.200
Local Taxes	$0.000	$187.090	$422.470	$655.670

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Average depreciation rate on tangible personal property is 50%.
- 50% of visitors to Washington locations are already Washington residents and 39.4% are repeat visitors.
- 22% of visitors drive their own car for three-day trips into Washington with two visitors per car.
- Compliance:
  - 13% revenue collections in Fiscal Year 2021.
  - 26% revenue collections in Fiscal Year 2022.
  - 39% revenue collections in Fiscal Year 2023.
  - 52% revenue collections in Fiscal Year 2024 and thereafter.

82.12.0251 - Nonresidents' personal property

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Autotrader.com 'Buying a Car: How Long Can You Expect a Car to Last?'
- CarsDirect.com 'What is the Average Car Depreciation Rate?'
- Zillow.com 'Washington Home Values'
- Washington Tourism Alliance, Tourism data
- Prnewswire.com 'New Vehicles Retail Outlook'
- Nytimes.com 'The Great American Road Trip: Shorter and More Popular Than Ever'
- Bankrate.com 'How Much Does it Cost to Rent a Car?'
- Yahoo.com 'How Much is Your Luggage Worth?'

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1935
Primary Beneficiaries:	Visitors and new Washington residents
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

82.12.02595 - Donations to nonprofits and government

Description

Tangible personal property donated to nonprofit charitable organizations and state or local governments are exempt from use tax. In addition, labor and services rendered in respect to installing, repairing, cleaning, altering, imprinting, or improving personal property that are donated to nonprofit charitable organizations and state or local governments are also exempt from use tax.

Purpose

To allow charitable donations to take place without incurring use tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.410	$1.460	$1.520	$1.570
Local Taxes	$0.630	$0.660	$0.680	$0.710

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.340	$1.520	$1.570
Local Taxes	$0.000	$0.600	$0.680	$0.710

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sale and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local use tax rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Giving USA 2022, Annual Report on Philanthropy for the Year 2021
- CECP, Giving in Numbers 2014 Edition
- U.S. Census, Population data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Nonprofit groups and governmental entities that receive donated items
Taxpayer Count:	237
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.12.0263 - Extracted fuel

Description

Use tax does not apply to the use of biomass fuel by the extractor or manufacturer when the fuel is used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same biomass fuel.

"Biomass fuel" means wood waste and other wood residuals, including forest derived biomass, but does not include firewood or wood pellets. "Biomass fuel" also includes partially organic by-products of pulp, paper, and wood manufacturing processes.

Purpose

Provide a lower tax rate to improve industry competitiveness.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Businesses that manufacture wood biomass fuel
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2017

82.12.0264 - Driver training vehicles

Description

Vehicles used in driver-training programs by public and private schools are exempt from use tax.

The vehicles must:
- Contain dual controls.
- Be used exclusively by public or private schools (not commercial driver-training programs).

Purpose

Reduces the costs of providing driver-education programs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.025	$0.025	$0.025	$0.025
Local Taxes	$0.011	$0.011	$0.011	$0.011

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.023	$0.025	$0.025
Local Taxes	$0.000	$0.010	$0.011	$0.011

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Statewide, school districts have seven vehicles under contract. Same number of vehicles for private school driver's education.
- The cars have an average age of three years.
- The number of driver's education cars leased continues to be much lower than previous years, therefore no growth.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Office of the Superintendent of Public Instruction, Driver education car data
- Edmunds.com, Average car values

82.12.0264 - Driver training vehicles

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1955
Primary Beneficiaries:	School districts
Taxpayer Count:	15
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2010 and 2019

82.12.0265 - Bailed tangible personal property for research and development

Description

A bailee's research, development, experimental, and testing activities is not subject to use tax so long as the property was not subject to sales tax or use taxes when acquired by the bailor. "Bailment" consists of a bailor granting the temporary right of possession of tangible personal property to another person (bailee) for a stated purpose without consideration or transfer of ownership.

Purpose

Tangible personal property owned by the federal government used by federal contractors is subject to bailment. Such contractors are normally subject to use tax on the value of materials incorporated into federal projects. The purpose of the exemption is to improve the competitive position of instate businesses competing for the federal contracts by reducing the associated tax burden.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenue because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1961
Primary Beneficiaries:	Contractors with the federal government
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010 and expedited review completed in 2023

82.12.0266 - Vehicles acquired while in military service

Description

Vehicles and trailers acquired and used by Washington residents serving in the armed forces and stationed outside of Washington are exempt from use tax. Exemption does not cover persons called to active duty for training of less than six months or for vehicles acquired less than 30 days prior to discharge from the military.

Purpose

To support resident armed forces members and to create equity. Nonresidents who bring their vehicles into Washington and establish residency here are exempt from use tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$8.600	$8.810	$8.880	$8.750
Local Taxes	$3.700	$3.790	$3.820	$3.760

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$8.080	$8.880	$8.750
Local Taxes	$0.000	$3.470	$3.820	$3.760

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the auto sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Estimated persons from Washington in the military mirrors percentage of state population to national population.
- Average length of auto ownership is eight years.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Population data
- U.S. Department of Defense, Military personnel data
- U.S. Census, Population data
- National Automobile Dealers Association, Vehicle data

82.12.0266 - Vehicles acquired while in military service

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1963
Primary Beneficiaries:	Resident members of the armed forces
Taxpayer Count:	27,000
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2010 and expedited review completed in 2020

82.12.0272 - Display items for trade shows

Description

Tangible personal property held for sale and displayed in a trade show for up to 30 days is exempt from use tax. The exemption pertains to items that are actually demonstrated and not simply available for sale as part of the dealer's inventory.

Purpose

To stimulate trade and the economy by encouraging trade shows to take place in the state.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would likely increase revenues but the impact is indeterminate.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

The revenue impact of this exemption is indeterminate. The beneficiaries of this exemption are not required to report, file, deduct, or otherwise document their use of this exemptions, therefore no reliable data exists to estimate the impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1971
Primary Beneficiaries:	Manufacturers displaying items at trade shows
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 with an upcoming review in 2026

82.12.0284 - Computers donated to schools

Description

Donated computers to public or private nonprofit schools or colleges are exempt from use tax. This includes computers donated by individuals and businesses. The exemption includes computers, computer components, computer accessories, computer software, digital goods, or digital codes.

A similar exemption is provided for ALL tangible personal property that is donated to a government entity or a nonprofit charitable organization. However, that statute does not cover donations of computers to private, nonprofit educational institutions.

Purpose

To encourage individuals and businesses to donate computer equipment to schools.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.144	$0.144	$0.144	$0.144
Local Taxes	$0.065	$0.065	$0.065	$0.065

Repeal of exemption

Repealing this exemption would increase revenues. Private nonprofit educational institutions would pay use tax on donated computers.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.132	$0.144	$0.144
Local Taxes	$0.000	$0.054	$0.065	$0.065

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- On average, about 5,600 computers are donated annually to schools in the last five years.
- Used laptop computers have an average value of $400.
- Local revenue estimates use the statewide average local use tax rate of 2.92%.

Data Sources

- Office of Public Instruction, Computers for kids program data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1983
Primary Beneficiaries:	Public and private schools
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited reviews completed in 2019

82.12.035 - Tax paid to other states

Description

The amount of sales or use tax paid to another state, foreign county, or political subdivision of another state or foreign county may be credited towards use tax due for items used in Washington. The credit is limited to the amount of Washington use tax otherwise due.

Purpose

The primary function of use tax is to complement sales tax by asserting tax in situations where the Washington sales tax did not apply (purchases made in other states, items bought from private parties, etc.). This credit avoids overtaxing items when tax was paid to another jurisdiction.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.639	$0.662	$0.692	$0.724
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit may increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.606	$0.692	$0.724
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the use taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Credit is applied to state use tax due first. There is rarely any credit left to apply to local use tax due. Therefore, there is no local impact.

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1967
Primary Beneficiaries:	Businesses that pay taxes to other states
Taxpayer Count:	186
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2011 and expedited review completed in 2023

82.12.225 - Nonprofit fund-raising activities - article valued at less than current value limit

Description

Consumers supporting the charitable activities of nonprofit organizations or libraries are provided a limited use tax exemption. The exemption applies to the use of any article of personal property purchased or won as a prize in a game of chance, from a nonprofit organization or library as part of a qualifying tax-exempt fundraising activity.

The item bought or received as a prize in a contest of chance must have a value less than $13,920. The department must adjust the value limit for the exemption by multiplying the current value limit by the greater of one or one plus the percentage change in the consumer price index for the most recent 12-month period available as of December 1st of the current year.

Purpose

To support nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.555	$2.647	$2.769	$2.897
Local Taxes	$1.149	$1.190	$1.245	$1.303

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$2.426	$2.769	$2.897
Local Taxes	$0.000	$1.091	$1.245	$1.303

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Washington Gambling Commission, Nonprofit data
- Economic and Revenue Forecast Council, March 2023 forecast

82.12.225 - Nonprofit fund-raising activities - article valued at less than current value limit

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2013
Primary Beneficiaries:	Consumers supporting nonprofit organizations or libraries
Taxpayer Count:	1,477
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2018

82.12.799 - Vessels exempt from registration

Description

Vessel registration does not apply for the use of a vessel exempt from registration.

Purpose

To expand the economy of the maritime industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.731	$0.758	$0.785	$0.812
Local Taxes	$0.329	$0.341	$0.353	$0.365

Repeal of exemption

Repealing this exemption would not increase revenue because many vessel owners would leave before the 61st day, when tax becomes due.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Repealing this exemption would not increase revenue because many vessel owners would leave before the 61st day, when tax becomes due.

Data Sources

Department of Revenue, Vessel data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2021
Primary Beneficiaries:	Vessel owners
Taxpayer Count:	11
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.12.800; 82.12.801; 82.12.802 - Vessel use by manufacturers or dealers

Description

These statutes relate to the application of use tax for businesses that manufacture or sell vessels and vessel trailers. Use tax is exempt on the following uses of a vessel and trailer by the manufacturer or a vessel dealer:

- Testing, setting up, repairing, remodeling or otherwise making the vessel seaworthy.
- Training of employees who are involved in the manufacturing of the vessel.
- Promoting the sale of the vessel.
- Loaning or donating the vessel to nonprofit organizations or governmental entities for limited periods.
- Transporting, displaying, or demonstrating the vessel at boat shows.
- Delivering, showing, and operating the vessel for a prospective buyer.

Any personal intervening use of the vessel by the manufacturer or a dealer is subject to use tax. However, use tax in such instances is measured by the reasonable rental value of the vessel for particular use, rather than the fair market value, if the dealer can demonstrate the vessel is truly held for sale.

Purpose

To clearly identify the uses of vessels and related equipment which are not considered as taxable "intervening" uses and to provide a basis for the use tax in other taxable situations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.075	$0.075	$0.075	$0.075
Local Taxes	$0.034	$0.034	$0.034	$0.034

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.069	$0.075	$0.075
Local Taxes	$0.000	$0.031	$0.034	$0.034

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real nonresidential fixed investments growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

82.12.800; 82.12.801; 82.12.802 - Vessel use by manufacturers or dealers

Data Sources

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Boat builders and dealers
Taxpayer Count:	436
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2017

82.12.860 - Credit unions - state chartered conversion

Description

Tangible personal property, digital goods and services, certain other services defined as retail sales, or extended warranties acquired by a state-chartered credit union as a result of a merger with or conversion from a federal, out-of-state, or foreign credit union are exempt for use tax.

Purpose

Enables state-charted credit unions to compete with federally chartered credit unions. There are benefits to being a state-chartered credit union which might exceed the potential use tax incurred.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.154	$0.154	$0.154	$0.154
Local Taxes	$0.069	$0.069	$0.069	$0.069

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.141	$0.154	$0.154
Local Taxes	$0.000	$0.064	$0.069	$0.069

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Zero growth rate due to irregular annual impact.
- Local revenue estimates use the statewide average local use tax rate of 2.92%.

Data Sources

- National Credit Union Association, Merger Activity and Insurance Report
- Secretary of State, Corporation search data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2006
Primary Beneficiaries:	Credit unions
Taxpayer Count:	3
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2017

82.12.9993 - Senior living community meals

Description

Food, drink, or meals furnished by a senior living community to tenants as part of a rental or residency agreement for which the community makes no separate charge, regardless of whether the tenant is a resident of an assisted living facility, or a continuing care retirement community are exempt from use tax.

Purpose

To reduce the cost of meals for tenants at senior living communities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

The impact of this exemption is minimal due to senior living facilities including meals as part of a rental or residency agreement.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2023
Primary Beneficiaries:	Tenants living in a senior living community
Taxpayer Count:	Minimal
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.14.410 - Local sales tax cap for lodging

Description

Charges for sales of lodging are exempt from local sales and use taxes imposed after December 1, 2000, if the local tax results in a combined state and local tax rate of more than 12% or the rate that was otherwise in effect on December 1, 2000. As of December 1, 2000, the combined state and local tax rate for lodging was 15.2% within the city of Seattle and 12% elsewhere. This exemption does not apply to the following local sales and use taxes:

- Regional Transit Authority.
- Housing and Related Services.

Purpose

To encourage tourist activities in areas with high tax rates.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$19.311	$19.588	$19.539	$19.526

Repeal of exemption

Repealing this exemption would increase revenues. Seattle, Pierce County, Wenatchee and East Wenatchee lodging facilities would collect and remit the additional lodging taxes on transient rentals.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$16.323	$19.539	$19.526

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the accommodation growth rates reflected in the S&P Global Market Intelligence's March 2023 forecast.

Data Sources

- Department of Revenue, Lodging data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2001
Primary Beneficiaries:	Hotels and motels in areas with high local tax rates
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.14.430(1) - Local regional transportation vehicles

Description

This statute authorizes a regional transportation investment district (RTID) to levy local sales and use taxes of up to 0.1% to finance regional transportation projects. Subsection (1) exempts motor vehicles from the local tax. However, subsection (2) imposes a special use tax at the same tax rate on motor vehicles purchased by residents of the district.

Purpose

This unique tax arrangement enables vehicle dealers located within a RTID to avoid collecting the 0.1% local sales tax for regional transportation projects from purchasers of new or used vehicles who reside outside of the district. Conversely, residents of the district who purchase vehicles from dealers located outside of the district will still be subject to the tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No regional transportation improvement districts currently impose this tax. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Excise tax data and local tax reference guide

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2002
Primary Beneficiaries:	Regional transportation investment districts
Taxpayer Count:	0
Program Inconsistency:	None evident, except that all other state and local sales taxes other than the public safety tax, apply to motor vehicles
JLARC Review:	No review completed

82.14.450(4) - Local public safety tax on vehicles

Description

Counties are authorized to levy local sales and use taxes of up to 0.3%. One-third of the receipts must be devoted to criminal justice expenditures. The county retains 60% of the receipts and the remainder is shared with cities on a per capita basis. Sales of motor vehicles are exempt from the local tax. Similarly, motor vehicles leases for the first 36 months of the lease period are also exempt.

Purpose

The exemption acknowledges that local vehicle dealers will have to compete with dealers located in adjacent areas where the local tax is not levied.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$7.260	$7.330	$7.590	$7.860

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$6.720	$7.590	$7.860

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the new motor vehicle growth rates reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Car dealers are registered and correctly reporting excise taxes.
- Counties continue to levy public safety tax if vehicle exemption is repealed.
- No state impact since this is a local tax.

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	Vehicle dealers in the counties that impose the local public safety sales and use tax
Taxpayer Count:	600
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.14.532 - Commercial office space development

Description

A governing authority of a city, located in a county with a population of less than 1.5 million may designate a commercial office space development area within the city's urban center. The city may adopt a local sales and use tax remittance program to incentivize the development of commercial office space within the development area. The city may also establish a local property tax reinvestment program to make public improvements that incentivize the development of commercial office space.

Purpose

Encourage the development of high-quality commercial office space in urban centers outside major metropolitan areas.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this remittance would not increase revenue because currently no taxpayers use it. This exemption is only for local sales tax and therefore a repeal would have no effect on state revenue. The property tax portion of this legislation is not an exemption. It requires local taxing districts to earmark future property taxes collected on a qualifying project, so they are only used for public improvements that incentivize the development of commercial office space.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

No taxpayers currently use this remittance. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Tax remittance records

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	Office building developers
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.32.065 - Returned motor vehicles under warranty

Description

The department will credit or refund to the manufacturers the amount of the tax refunded for returns of a new motor vehicle under the "Lemon Law."

Purpose

Assures that manufacturers are not financially responsible for refunded sales tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.052	$0.052	$0.052	$0.052
Local Taxes	$0.023	$0.023	$0.023	$0.023

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.048	$0.052	$0.052
Local Taxes	$0.000	$0.021	$0.023	$0.023

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Zero growth rate due to irregular annual impact.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Attorney General Office, Consumer Protection data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Manufacturers and purchasers of new motor vehicles that are found to be defective
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2019

82.32.558 - Multipurpose sports and entertainment facility deferral

Description

A qualifying business may apply for a deferral of taxes on the following:

- Redevelopment of a multipurpose sports and entertainment facility for professional ice hockey and basketball league franchises.
- Development of an ice hockey practice facility.

The facilities must be owned by the largest city in a county with a population of at least 1.5 million. The recipient must repay, with interest, all deferred state sales and use taxes by June 30, 2023. For local sales and use taxes, the recipient must begin repaying taxes in the first calendar year after the facility becomes operationally complete.

Purpose

Increase the fiscal stability of multipurpose sports and entertainment arenas in Washington, thereby strengthen the economic vitality of the communities in which the arenas and practice facilities are located.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

- This deferral impacts fewer than three taxpayers; any impacts are confidential.
- Repealing this deferral could lead to a loss of local sales tax repayment.

Data Sources

- Department of Revenue, Deferral data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2019
Primary Beneficiaries:	NHL hockey arena and practice facility
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.32.580 - Museum for historic autos

Description

Provides a sales and use taxes deferral for the site preparation and construction of a historic automobile museum owned and operated by a nonprofit organization, corporation, or association. The museum must maintain and exhibit at least 500 vehicles to the public.

Deferred taxes on the facility will be repaid beginning the tenth year after the project is operationally complete, with subsequent annual payments for the following nine years.

Purpose

Encourage construction of a historic automobile museum in Pierce County.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deferral would increase revenues for purchases not yet made.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Repealing this deferral does not affect taxes already deferred.
- This project is complete. Deferred sales and use taxes began being repaid in 2022.

Data Sources

- Department of Revenue, Deferral data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2005
Primary Beneficiaries:	Historic automobile museum in Pierce County
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2022

82.32.865; 88.02.620; 88.02.570 - Nonresident entity vessel owners

Description

A vessel owned by a nonresident vessel that is not a natural person (entity-owned) that is brought into the state for no more than six months in any continuous 12-month period is exempt from vessel registration provided the vessel meets one of the following:

- Is currently registered or numbered under the laws of the state of principal use.
- Has been issued a valid number under federal law.

This exemption only applies for the first 60 days of use on Washington waters.

Subject to certain conditions, a nonresident vessel owner that is not a natural person (entity owned) or a nonresident vessel owner who intends to charter the vessel with a captain or crew, may qualify to receive a nonresident vessel permit on or before the 61st day of use in Washington waters.

These owners may only obtain a nonresident vessel permit if:

- The vessel is between 30 and 200 feet in length.
- No Washington resident owns the vessel or is a principal of the nonresident person which owns the vessel.
- The department has provided the nonresident vessel owner written approval authorizing the permit.

This exemption expires January 1, 2029.

Purpose

To expand the economy of the maritime industry in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This exemption impacts fewer than three taxpayers; any impacts are confidential.

82.32.865; 88.02.620; 88.02.570 - Nonresident entity vessel owners

Data Sources

Department of Revenue, Vessel permit and use tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2015
Primary Beneficiaries:	Nonresident entity vessel owners
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Upcoming review scheduled in 2025

82.34.050(2); 82.34.060(2) - Pollution control facilities

Description

Construction of required pollution control facilities associated with approved applications received between July 30, 1967, and November 30, 1981, was exempt from sales and use taxes. If sales and use taxes were previously paid, the amount paid may be taken as a credit against B&O, public utility, or use taxes.

Purpose

To encourage abatement of pollution and to compensate Washington businesses for the costs of upgrading pollution control facilities.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	CTI	CTI	CTI	CTI

Repeal of exemption

Repealing this credit may increase revenues. However, businesses may argue they have a vested right to take credits authorized under prior law.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	CTI	CTI	CTI

Assumptions

This credit impacts fewer than three taxpayers; any impacts are confidential.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1967
Primary Beneficiaries:	Businesses required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum, and food industries.
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.85.050; 82.85.060 - Manufacturer's job creation (Invest in Washington) pilot program

Description

The Invest in Washington pilot program creates a sales and use taxes deferral for two investment projects per calendar year. The deferral applies to sales and use taxes on up to $10 million in charges for the construction, expansion, or renovation of facilities and purchases of eligible machinery and equipment. One project must be in eastern Washington and one project must be in western Washington. Projects approved for a rural deferral cannot receive this deferral; and projects cannot receive multiple pilot program deferrals. This program expires January 1, 2026.

Purpose

To evaluate the effectiveness of investing sales and use taxes from new investments into workforce training programs that support manufacturing businesses and create jobs and capital investments in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.811	$0.844	$0.433	$0.000
Local Taxes	$0.365	$0.380	$0.194	$0.000

Repeal of exemption

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes deferred taxes are due beginning the fifth year after the project has been certified as operationally complete and continues for the next nine years.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.774	$0.865	$0.885
Local Taxes	$0.000	$0.348	$0.389	$0.398

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Two projects of average value will be approved each year, one on the east side of the state and one on the west side of the state.
- Growth rate mirrors the construction of industrial buildings growth rate reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Department of Revenue, Deferral data
- S&P Global Market Intelligence, March 2023 forecast

82.85.050; 82.85.060 - Manufacturer's job creation (Invest in Washington) pilot program

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2015
Primary Beneficiaries:	Manufacturing businesses
Taxpayer Count:	2 projects per year
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2021

82.89.030 - Clean technology manufacturing tax deferral

Description

A sales and use taxes deferral is provided for investment projects in clean technology manufacturing, clean alternative fuels production, and renewable energy storage.

Deferred taxes begin to be repaid in the second year after the project is operationally completed and continue for the next nine years.

The state sales tax owed may be reduced:
- By 50% if the Department of Labor and Industries (LNI) certifies that the project includes procurement from and contracts with women, minority, or veteran-owned businesses.
- By 75% if the project meets the 50% reduction criteria and compensates workers at prevailing wages determined by L&I.
- By 100% if LNI certifies that the project is developed under a community workforce agreement or project labor agreement.

Purpose

To build manufacturing capacity for carbon-free electricity and to financially incentivize the use of high labor standards.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.401	$4.613	$4.736	$4.851
Local Taxes	$1.979	$2.075	$2.130	$2.181

Repeal of exemption

Repealing this deferral would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.229	$4.736	$4.851
Local Taxes	$0.000	$1.902	$2.130	$2.181

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for qualifying projects mirrors the annual growth for industrial construction reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Recipients of the deferral meet the required labor standards to have 100% of the state sales tax waived.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

82.89.030 - Clean technology manufacturing tax deferral

Data Sources

- Department of Revenue, Deferral data
- S&P Global Market Intelligence, March 2023 forecast

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Clean technology manufacturers, those producing clean alternative fuels, and those providing renewable energy storage.
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	No review scheduled, however JLARC is required to provide a report to the legislature by December 31, 2028

82.90.030 - Solar canopy deferral

Description

A sales and use taxes deferral is provided for installing solar canopies. A solar canopy is defined as an elevated structure(s) containing a solar energy system with capacity of one megawatt and an area of at least 50,000 square feet.

Deferred taxes begin to be repaid on December 31st in the second year after the project is operationally completed and continue for the next seven calendar years.

The sales and use taxes owed may be reduced:

- By 50% if the Department of Labor and Industries (LNI) certifies that the project includes procurement from and contracts with women, minority, or veteran-owned businesses.
- By 75% if the project meets the 50% reduction criteria and compensates workers at prevailing wages determined by L&I.
- By 100% if LNI certifies that the project is developed under a community workforce agreement or project labor agreement.

Purpose

To incentivize the construction of solar canopies in Washington to reduce greenhouse gas emissions and boost overall electricity supplies.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$7.238	$8.324	$9.572
Local Taxes	$0.000	$3.255	$3.743	$4.305

Repeal of exemption

Repealing this deferral would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.635	$8.324	$9.572
Local Taxes	$0.000	$2.984	$3.743	$4.305

82.90.030 - Solar canopy deferral

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth for solar canopies is 15% per year.
- The first installations will be in fiscal year 2025.
- Including Walmart, Washington has over 200 large retailer locations with parking lots comparable to Walmart Superstores. Washington also houses many large industrial and office headquarters. The average solar canopy installations will be 3.1 megawatts and include eight to 10 projects per year.
- The average cost for solar canopies is $4.6 million per MW.
- Taxpayers receiving a deferral will meet the labor standard requirement to have 100% of the sales and use taxes waived.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

Data Sources

- Deshmukh, S. S., &; Pearce, J. M. (2021, January 15). "Electric vehicle charging potential from retail parking lot solar photovoltaic awnings." Renewable Energy.
- Conniff, Richard, (2021, November 21). "Why putting solar canopies on parking lots is a smart green move." Yale Environment 360.
- "How much do solar carports cost?" (2020), Alternative Energy LLC.
- Maryland Energy Administration, (2021). "Maryland Energy Administration awards $1.6 million for parking lot solar upgrades."

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Businesses installing solar canopies
Taxpayer Count:	8
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.92.090 - Underdeveloped urban land redevelopment deferral

Description

A city with a population of at least 135,000 and not more than 250,000 may create a sales and use taxes deferral program for multifamily housing developed on vacant surface parking lots. To qualify for the deferral, the owner of the vacant parking lot must primarily build multifamily units with at least 50% of those units rented or sold as affordable housing to very low, low, and moderate-income households.

If the property continues to qualify for this deferral for at least 10 years, the sales and use taxes do not need to be repaid. No new applications for deferral may be made after June 30, 2032.

Purpose

To encourage the redevelopment of underdeveloped land in targeted urban areas to provide additional affordable housing.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.020	$1.670	$1.720	$1.780
Local Taxes	$0.494	$0.809	$0.836	$0.863

Repeal of exemption

Repealing this deferral would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.531	$1.720	$1.780
Local Taxes	$0.000	$0.742	$0.836	$0.863

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Three cities adopt a resolution to create the deferral and two affordable housing apartment buildings will be built per year on surface parking lots.
- There are 650 apartment buildings with five units or more built each year in Washington.
- The average construction cost of a five-story 50-unit apartment building is $10.5 million.
- Residential buildings with 20 or more units take over 19 months to complete.
- The annual adjustment to construction costs mirrors the annual growth for residential construction of multi-family buildings consumer price index, March 2023 forecast.
- Local revenue estimates use the urban average local sales and use tax rate of 3.16%.

82.92.090 - Underdeveloped urban land redevelopment deferral

Data Sources

- Office of Financial Management, Population data
- S&P Global Market Intelligence, March 2023
- Falcone, J. A., & Nott, M. A. (2019). Estimating the presence of paved surface parking lots in the conterminous U.S. from land use coefficients for 1974, 1982, 1992, 2002, and 2012 [Data set]. U.S. Geological Survey
- U.S. Census Bureau, "Building Permits Survey."
- Pagano, M. and Bowman, A. (2020, December) "Vacant Land in Cities: An Urban Resource." The Brookings Institution.
- "How Much Does it Cost to Build an Apartment Building?" (2021, July 8). Retrieved January 12, 2022.

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Land developers
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.94.020; 82.94.030 - Manufacturing deferral in designated counties

Description

A sales and use taxes deferral is provided for qualified investment projects located in counties with a population less than 650,000. The total deferral amount per person is limited to $400,000.

The deferred taxes need not be repaid if the recipient utilizes the qualified project as a manufacturing or research and development operation for the seven calendar years following the project completion date.

If the project is not completed within five years or not utilized for manufacturing or research and development for seven years, then a portion of the deferred taxes are due immediately.

Purpose

To create employment opportunities and generally spur economic development in counties located outside of the central Puget Sound region.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$2.070	$2.052	$2.066	$2.072
Local Taxes	$0.678	$0.672	$0.677	$0.679

Repeal of exemption

Repealing this deferral would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$1.881	$2.066	$2.072
Local Taxes	$0.000	$0.616	$0.677	$0.679

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for qualifying projects mirrors the annual growth for non-residential investment in research and development and private investment in industrial facilities reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

82.94.020; 82.94.030 - Manufacturing deferral in designated counties

Data Sources

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Office of Financial Management, April 2022 population data
- Bureau of Labor Statistics, Employment data
- Bureau of Economic Analysis, Fixed asset data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2022
Primary Beneficiaries:	Businesses engaged in manufacturing or research and development activities
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 21
Soft Drinks Syrup Tax

82.64.030(1) - Carbonated beverage syrup previously taxed

Description

Successive sales of syrup used to produce carbonated beverages are exempt from the syrup tax if the syrup was previously taxed.

Purpose

To avoid the pyramiding of the tax. This exemption assures the tax will apply only once to any particular gallon of syrup.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Taxpayers paying the tax use most of the syrup, so the taxpayer savings are minimal.

Data Sources

There is no data on successive sales of previously taxed syrup.

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Carbonated beverage retailers and wholesalers who use syrup
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2022

82.64.030(2) - Carbonated beverage syrup exported

Description

Soft drink syrup shipped out-of-state is exempt from syrup tax.

Purpose

Limits the soft drink syrup tax to soft drinks consumed in Washington.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Most taxpayers who use the syrup pay the tax; therefore, the revenue impacts are minimal.

Data Sources

Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	Carbonated beverage syrup exporters
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2022

82.64.030(3) - Trademarked carbonated beverage syrup

Description

Wholesale sales of carbonated beverage syrup are exempt from syrup tax if the syrup sales are to a bottler appointed by the owner of the syrup trademark to manufacture, distribute, and sell the syrup.

Purpose

Avoids double taxation since the carbonated beverage syrup is taxed when originally sold by the manufacturer to the bottler.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues as the tax shifts to the next purchaser.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

Tax shifts to the next purchaser; therefore, no revenue impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1991
Primary Beneficiaries:	Bottlers of trademarked beverages
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2022

82.64.030(4) - Carbonated beverage syrup purchased before 6/1/91

Description

Carbonated beverage syrup taxed at first possession prior to June 1, 1991, is exempt from syrup tax.

Purpose

The imposition of the carbonated beverage tax changed in 1991. Instead of taxation at first possession of the product, the tax applies to the wholesale transaction. This exemption avoids double taxation of the same product in 1991.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would not increase revenues. This exemption no longer applies.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption is no longer applicable due to the shelf-life of syrup.

Data Sources

None

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1989
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2012 and 2022

82.64.040 - Taxes paid in other states

Description

Businesses may take a credit against the syrup tax for similar taxes paid in another state or foreign county.

Purpose

Avoids double taxation of the same product.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- West Virginia, Arkansas, and the City of Chicago have various carbonated beverage syrup taxes.
- There is no data showing carbonated beverage syrup being imported into the state from these areas.
- The revenue impacts are unknown but assumed minimal.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1989
Primary Beneficiaries:	Carbonated beverage syrup importers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 22
Solid Waste Collection

82.18.010(3) - Hazardous or toxic waste

Description

The disposal of hazardous and toxic waste is exempt from the solid waste collection tax.

Purpose

To recognize that hazardous and toxic waste is not “solid waste," which is defined as garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. Toxic wastes require special services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.161	$0.171	$0.181	$0.192
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.157	$0.181	$0.192
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 6%, based on a historical average to reflect industry trends.
- Of the total statewide waste generated, 1.7% is hazardous and toxic waste.
- Taxpayers properly exempt hazardous and toxic wastes from the solid waste collection tax.

Data Sources

- Department of Revenue, Excise tax data
- Department of Ecology, Hazardous waste data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Hazardous waste collection businesses and the public
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	Expedited review scheduled in 2026

82.18.010(3) - Recycling or salvage materials

Description

Materials collected primarily for recycling or salvage are exempt from the solid waste collection tax.

Purpose

To recognize that recycled and salvaged materials are not "solid waste," which is defined as garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4.608	$4.884	$5.177	$5.488
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$4.477	$5.177	$5.488
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 6%, based on a historical average to reflect industry trends.
- Of the total solid waste generated in Washington, 48.5% are recyclables and salvage materials.
- Taxpayers properly exempt recyclables and salvage materials from the solid waste collection tax.

Data Sources

- Department of Revenue, Excise tax data
- Department of Ecology, Solid waste data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Solid waste collection businesses and the public
Taxpayer Count:	60
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

82.18.050 - Refuse service for federal government

Description

Garbage collection service provided to the federal government is exempt from the solid waste collection tax.

Purpose

To reflect the prohibition against taxing the federal government.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because federal law prohibits taxing the federal government.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Collecting tax revenue would be unconstitutional, and there would be no revenue gain.

Data Sources

- Department of Revenue, Excise tax data
- Department of Ecology, Disposed waste data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1986
Primary Beneficiaries:	The U.S. government and its agencies
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.18.060 - Using services of another solid waste collection business

Description

Any solid waste collection business using the services of another solid waste collection business for the transfer, storage, processing, or disposal of the waste collected during the transaction is exempt from the solid waste collection tax.

Purpose

To prevent pyramiding and multiple taxation of a single transaction.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$16.569	$18.057	$19.679	$21.446
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues; however, it could result in multiple taxation of a single transaction.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$16.552	$19.679	$21.446
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 9%, which reflects the average historical growth rate of the solid waste collection industry.

Data Sources

- Department of Revenue, Excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1986
Primary Beneficiaries:	Solid waste collection businesses
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	No review completed

Chapter 23
Timber Excise Tax

84.33.075 - Nonprofit youth organizations

Description

Timber harvested on lands owned by a nonprofit social service organization is exempt from timber excise tax if the land is exempt from property tax and income from the timber sales promotes, operates, and maintains youth programs. The exemption is only available if the youth programs are available to all youth, regardless of race, color, national origin, ancestry, or religious belief.

Purpose

Reduces the cost of operating youth programs by nonprofit organizations.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	CTI	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	CTI	CTI	CTI
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption impacts fewer than three taxpayers, any impacts are confidential.

Data Sources

Department of Revenue, Timber excise tax data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1980
Primary Beneficiaries:	Youth organizations
Taxpayer Count:	Fewer than three
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2011

84.33.0775 - Salmon habitat

Description

Timber harvested on land subject to enhanced aquatic resource requirements as determined by the Department of Natural Resources, such as riparian zones (defined as the interface between land and a river or stream), wetlands, or steep or unstable slopes receives a tax credit against the state portion of the timber excise tax. The credit effectively lowers the total timber excise tax rate from 5% to 4.2%.

Purpose

Helps offset the costs to timber owners associated with setting aside larger timber buffers and other forest management practices intended to protect the environment, including salmon habitat.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.327	$7.477	$7.631	$7.787
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.854	$7.631	$7.787
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the average growth of the credit from the last three fiscal years.

Data Sources

- Department of Revenue, Timber excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Timber owners
Taxpayer Count:	1,200
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2015

84.33.0776 - Quinault Nation timber harvest excise tax agreement

Description

The timber excise tax on timber harvested on fee lands within the boundaries of the Quinault reservation may be exempt from state and county timber tax. The Governor may enter into an agreement with the Quinault Nation. The agreement must provide that the tribal tax will be credited against the state and county taxes.

Purpose

To allow the Quinault Nation to benefit from the timber excise tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The Governor and the Quinault Nation have not entered into a timber harvest excise tax agreement.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

This exemption has not been utilized. We expect no usage during the forecasted period of this study.

Data Sources

Department of Revenue, Timber excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2007
Primary Beneficiaries:	The Quinault Nation
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review complete in 2020

84.33.086 - Timber tax minimum

Description

Any timber harvester incurring less than $50 in timber excise tax per calendar quarter is exempt from the timber excise tax.

Purpose

To support smaller harvesters and to reduce administrative costs for harvesters and the department.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	Minimal	Minimal	Minimal	Minimal

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Minimal	Minimal	Minimal
Local Taxes	$0.000	Minimal	Minimal	Minimal

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Revenue impact is minimal.

Data Sources

- Department of Revenue, Timber excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1984
Primary Beneficiaries:	Harvesters of timber on private lands
Taxpayer Count:	180
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2023

84.33.170 - Christmas trees and cottonwoods

Description

Timber excise tax does not apply to Christmas trees and short-rotation hardwoods. However, short-rotation hardwoods that are cultivated by agricultural methods on land classified as timberland are subject to timber excise tax.

Purpose

Christmas trees and short-rotation hardwoods are agricultural products and are not subject to the timber excise tax on their harvest value.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.205	$0.211	$0.216	$0.222
Local Taxes	$0.823	$0.844	$0.866	$0.889

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.193	$0.216	$0.222
Local Taxes	$0.000	$0.774	$0.866	$0.889

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Average national Christmas tree sales growth is 1.2% over the past 10 years.
- The growth for short-rotation hardwood remains constant.

Data Sources

- U.S. Department of Agriculture, Agriculture data
- Pacific Northwest Christmas Tree Association
- Statista.com, 'Christmas trees sold in the United States from 2004-2019'

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1971
Primary Beneficiaries:	Growers of Christmas trees and hardwoods
Taxpayer Count:	460
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2018

Chapter 24
Vehicle Excise Taxes

82.44.015 - Ride-sharing vehicles

Description

The motor vehicle excise tax is exempt on passenger vehicles used primarily for ridesharing and transportation of persons with special needs. The vehicles must be used as ride-sharing vehicles for 36 consecutive months beginning from the date of purchase and meet vehicle and operation requirements in the case of vehicles used for ridesharing.

Purpose

To encourage trip reduction to alleviate congestion on the state's highways and assist those with special needs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase local revenues only. The state tax has been repealed.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

There is no state tax impact, as the state tax was repealed. The local tax impact is indeterminate.

Data Sources

Department of Licensing, Vehicle excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1980
Primary Beneficiaries:	Businesses operating vanpools for their employees
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2020

82.44.125 - Excluded vehicles

Description

The motor vehicle excise tax does not apply to the following vehicles:

- Campers.
- Dock and warehouse tractors and their cars or trailers.
- Equipment not designed primarily for use on public highways.
- Exempt registered vehicles.
- Lumber carriers of the type known as spiders.
- Mobile homes.
- Passenger motor vehicles.
- Travel trailers.
- Vehicles not used on public highways.
- Vehicles owned by nonresident military personnel of the armed forces of the U.S. stationed in Washington if the nonresident military member was a nonresident of Washington when enlisted into military service.

Purpose

The state tax was repealed in 2000 for many vehicles. Some local motor vehicle excise taxes are earmarked for funding specific local projects and services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would not increase state revenues. However, repealing it could increase local revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

If the exemption were repealed, local revenues could be realized if local jurisdictions choose to assess the tax. However, the local impact is indeterminate without knowing which jurisdictions would assess the tax.

Data Sources

Department of Licensing, Vehicle excise tax data

82.44.125 - Excluded vehicles

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1955
Primary Beneficiaries:	Those registering the qualifying vehicles
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.48.100(1) - Government aircraft

Description

The aircraft excise tax does not apply to aircraft owned by and used exclusively in the service of governmental entities not carrying persons or property for commercial purposes.

Purpose

Reflects the legislative policy of not taxing state or local government property and the constitutional prohibition against taxing the federal government.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues in the case of federal aircraft. However, repealing this exemption would increase revenues for state and local aircraft.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1949
Primary Beneficiaries:	Governmental entities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.48.100(2) - Aircraft registered in a foreign country

Description

The aircraft excise tax does not apply to aircraft registered under the laws of a foreign country.

Purpose

Reflects the legislative policy of not taxing property located out of state and the constitutional prohibition of taxing such property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues due to challenge under federal law.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, the revenue savings are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1949
Primary Beneficiaries:	Washington owners of private aircraft registered in another state or country
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.48.100(3) - Nonresident aircraft registered outside Washington

Description

Aircraft owned by a nonresident and registered in another state is exempt from the aircraft excise tax if the aircraft remains in Washington or is based in Washington, or both, for ~~a period~~ less than 90 days.

Purpose

Reflects the legislative policy of not taxing property located out of state and the constitutional prohibition of taxing such property.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Enforcement under current laws would be difficult.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1949
Primary Beneficiaries:	Nonresident aircraft owners
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2019

82.48.100(4) - Commercial aircraft

Description

The aircraft excise tax does not apply to aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce. However, this exemption does not apply to such aircraft if it will be in Washington exclusively for the purpose of continual storage of not less than one full calendar year.

Purpose

To not interfere with foreign or interstate commerce.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. The repeal would be challenged under federal law.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Interstate Commerce
Year Enacted:	1949
Primary Beneficiaries:	Commercial interstate air carriers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2019

82.48.100(5) - Aircraft testing or crew training

Description

The aircraft excise tax does not apply to aircraft owned by the manufacturer while being operated for test or experimental purposes or training crews for purchasers of the aircraft.

Purpose

To lower operating costs of manufacturers developing new aircraft and reducing crew training costs.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1949
Primary Beneficiaries:	Aircraft manufacturers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2019

82.48.100(6) - Aircraft held for sale

Description

A licensed aircraft dealer with aircraft held as stock in trade for the sole purpose of sale, exchange, delivery, testing, or demonstration is exempt from the aircraft excise tax.

Purpose

Treat aircraft held for sale the same as business inventories, which are exempt from personal property tax.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1955
Primary Beneficiaries:	Aircraft dealers
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2019

82.48.100(7) - Nonresident keeping aircraft in-state at Pullman-Moscow Airport

Description

Nonresident owners of planes kept at an airport jointly owned by governmental entities of Washington and another state are exempt from the aircraft excise tax. The nonresident owner must pay all taxes, license fees, and registration fees required by the state where the owner resides.

Purpose

It provides an economic incentive for Idaho residents to base their privately owned airplanes at the Moscow-Pullman airport.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Minimal	Minimal	Minimal	Minimal
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. Nonresident owners could relocate their planes to their home state.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$0.000	$0.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual aircraft excise tax amount remains constant.

Data Sources

- Washington State Department of Transportation, Aircraft excise tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1999
Primary Beneficiaries:	Nonresidents keeping their aircraft at the Pullman-Moscow Airport
Taxpayer Count:	18
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2014 and 2019

82.48.100(8) - Emergency medical aircraft

Description

An aircraft excise tax exemption is provided for nonprofit, emergency medical air transport providers.

Purpose

To ease the tax burden on nonprofit organizations providing emergency air transport services.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

Data Sources

Washington State Department of Transportation, Aviation Division

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	2010
Primary Beneficiaries:	Nonprofit medical ambulance services
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	No review completed

82.49.020(3) - Boats under 16 feet

Description

Vessels under 16 feet in overall length are exempt from the watercraft excise tax.

Purpose

To minimize administrative costs and to mirror the exemption from vessel registration for certain vessels under 16 feet.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$6.900	$6.900	$6.900	$6.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$6.300	$6.900	$6.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical data, annual growth is minimal.

Data Sources

- WA Coast Economist, Recreational boat fleet data
- JD Power, Shopping guides "Cheap-boats"

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	1983
Primary Beneficiaries:	Owners of vessels under 16 feet
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2013, 2014, and 2017