

Estimated Impact of Revenue Alternatives
September 2012 Forecast
(\$ millions)

This is a list of options for raising revenues that have been commonly requested. The Department does not advocate any of these options.

State General Fund Impact¹
(unless otherwise noted)

Synopsis of Alternative	FY 2014 ²	FY 2015	2013-2015 Biennium
RETAIL SALES/USE TAX - Rate Increase			
#1a State rate from 6.5% to 6.6%	\$ 104.4	\$ 120.8	\$ 225.2
#1b State rate from 6.5% to 7.0%	\$ 519.8	\$ 601.5	\$ 1,121.3
#1c State rate from 6.5% to 7.5%	\$ 1,034.0	\$ 1,196.5	\$ 2,230.4
RETAIL SALES/USE TAX - Tax Base Expansion (except services)			
#2 Sewerage/garbage - shift from PUT/B&O to sales tax	\$ 22.1	\$ 25.1	\$ 47.3
#3 Repeal exemption - motor vehicle fuel (incl. fuel taxes)	\$ 698.6	\$ 730.6	\$ 1,429.2
#4 Repeal the manufacturing machinery & equipment exemption	\$ 226.0	\$ 253.0	\$ 479.0
#5 Repeal warehouse/grain elevator remittance program - RCW 82.08.820, RCW 82.12.820	\$ 3.7	\$ 4.0	\$ 7.7
#6 Impose sales tax on bottled water	\$ 24.4	\$ 27.1	\$ 51.5
Trade-in exclusion:			
#7a · Repeal trade-in exclusion - RCW 82.08.010 (1)	\$ 143.2	\$ 157.6	\$ 300.8
#7b · Repeal trade-in exclusion for boats, trailers, mobile homes, appliances	\$ 5.2	\$ 6.8	\$ 12.0
#7c · Repeal trade-in exclusion for motor vehicles	\$ 125.0	\$ 136.3	\$ 261.3
Nonresident exemption:			
#8a · Repeal exemption for nonresidents (states, possessions, and provinces <3.0% sales tax)	\$ 24.6	\$ 28.0	\$ 52.6
#8b · Refund state sales tax if nonresident pays \$25 or more sales tax in a year (states, possessions, and provinces <3.0% sales tax)	\$ 19.0	\$ 21.6	\$ 40.6
Farm consumables:			
#9a · Repeal exemption for replacement parts and repair services	\$ 7.4	\$ 8.3	\$ 15.7
#9b · Repeal exemption for fertilizers, sprays, and washes sold to farmers - RCW 82.04.050(10)	\$ 57.2	\$ 65.6	\$ 122.8
#9c · Repeal exemption for leased irrigation equipment	\$ 2.5	\$ 2.9	\$ 5.4
#9d · Repeal exemption for diesel, biodiesel, and aircraft fuel for farm use	\$ 3.8	\$ 4.1	\$ 7.9
#9e · Repeal exemption for propane for heating chicken barns	\$ 0.8	\$ 0.9	\$ 1.7

Synopsis of Alternative	2013-2015		
	FY 2014 ²	FY 2015	Biennium
#9f · Repeal exemption for farm equipment auction sales	\$ 2.6	\$ 3.0	\$ 5.6
#9g · Limit exemption to organic approved fertilizers, sprays, and washes	\$ 43.0	\$ 49.3	\$ 92.3
RETAIL SALES/USE TAX - Extend Tax Base to Services³			
#10 Certain Consumer Services ⁴	\$ 103.7	\$ 115.0	\$ 218.7
#11 Selected Business Services ⁵	\$ 741.8	\$ 849.3	\$ 1,591.1
#12 Financial, Insurance, and Real Estate Services ⁶	\$ 214.0	\$ 239.4	\$ 453.4
BUSINESS & OCCUPATION TAX - Rate Increases			
Increase B&O tax:			
#13 · Extend .3 percent surcharge on service businesses (currently ends June 30, 2013)	\$ 248.0	\$ 288.0	\$ 536.0
#14a · 10% surtax on all existing rates	\$ 313.2	\$ 359.3	\$ 672.5
#14b · 25% surtax on all existing rates	\$ 783.0	\$ 898.3	\$ 1,681.3
#15 Eliminate preferential rate for retailing - (from 0.471% to 0.484%) - RCW 82.04.250(1)	\$ 19.3	\$ 22.0	\$ 41.3
#16 Increase manufacturing rate to 1 percent for petroleum production	\$ 55.8	\$ 58.4	\$ 114.2
BUSINESS & OCCUPATION TAX - Tax Base Expansion			
#17 Repeal deduction for federal motor fuel taxes	\$ 3.3	\$ 3.4	\$ 6.7
#18 Repeal exemption for shared real estate commissions - RCW 82.04.255	\$ 20.7	\$ 26.5	\$ 47.2
#19 Repeal deduction for membership dues and fees - RCW 82.04.4282	\$ 1.0	\$ 1.1	\$ 2.1
B&O Tax Exemption for Farmers:			
#20a · Repeal B&O tax exemption for all farmers	\$ 32.0	\$ 36.0	\$ 68.0
#20b · Repeal B&O tax exemption for farmers whose annual gross income exceeds \$200,000	\$ 30.0	\$ 34.0	\$ 64.0
OTHER BUSINESS TAXES			
Increase PUT rate:			
#21a · PUT rate increase - 10% surtax on all rates	\$ 39.5	\$ 45.5	\$ 85.1
#21b · PUT rate increase - 25% surtax on all rates	\$ 98.8	\$ 113.8	\$ 212.6
#22 PUT/B&O sewerage - all related activities taxed at 3.852%	\$ 14.4	\$ 16.4	\$ 30.8
#23a · PUT on motor/urban transportation and log hauling - increase to 3.852%	\$ 32.7	\$ 37.6	\$ 70.3
#23b · PUT on urban transportation and vessels - increase to 1.926%	\$ 6.4	\$ 7.3	\$ 13.7

Synopsis of Alternative	FY 2014 ²	FY 2015	2013-2015 Biennium
<u>OTHER TAXES - Rate/Base Increases</u>			
#24 Property Tax - State levy increase - \$3.60	\$ 635.3	\$ 1,233.4	\$ 1,868.7
#25 Real estate excise tax increase - from 1.28% to 1.6%	\$ 95.9	\$ 122.3	\$ 218.2
#26 Cigarette tax - \$3.025 to \$3.275	\$ 10.0	\$ 11.3	\$ 21.3
Change measure of oil spill taxes from volumetric to a percentage of value:			
#27a · Oil spill tax - from 5 cents per barrel to 5% of value	\$ 357.3	\$ 372.3	\$ 729.6
#27b · Oil spill tax - 0.7% based on value of product, not volume	\$ 47.2	\$ 49.0	\$ 96.2
Estate tax with changes:			
#28a · Estate tax - \$1,000,000 threshold ^{7,8}	\$ 11.4	\$ 52.5	\$ 63.9
#28b · Estate tax - \$1,500,000 threshold ^{7,8}	\$ 4.4	\$ 19.9	\$ 24.3
#28c · Estate tax - \$2,000,000 threshold; double all rates ^{7,8}	\$ 27.0	\$ 127.2	\$ 154.2
Syrup Tax:			
#29 · Repeal B&O credit for Syrup Tax - RCW 82.04.4486	\$ 5.6	\$ 5.8	\$ 11.4
#30 · Repeal B&O credit for Syrup Tax - Increase Syrup Tax from \$1 to \$2	\$ 12.8	\$ 12.8	\$ 25.6
<u>NEW TAXES</u>			
Beverage/water tax:			
#31 · Bottled water - 1 cents per oz. at retail (<i>includes bulk sales</i>)	\$ 93.1	\$ 104.3	\$ 197.4
#32 · Carbonated beverage tax @ 2 cents/12 oz. (<i>excludes fountain</i>)	\$ 40.0	\$ 43.1	\$ 83.1
State admissions tax:			
#33a · State admissions tax of 5 percent - exclude youth non-profit and K-12 school activities	\$ 40.5	\$ 47.0	\$ 87.5
#33b · also exclude college activities	\$ 38.1	\$ 44.2	\$ 82.3
#33c · also exclude college activities and non-profits	\$ 29.4	\$ 34.1	\$ 63.5
Luxury tax with deductions:			
#34a · 10 percent luxury tax on motor vehicles - \$50,000 deduction	\$ 10.8	\$ 12.3	\$ 23.0
#34b · 10 percent luxury tax on vessels - \$50,000 deduction	\$ 14.6	\$ 16.7	\$ 31.2
#34c · 10 percent luxury tax on aircraft - \$50,000 deduction	\$ 5.8	\$ 6.4	\$ 12.2
#35 Wireless Devices - \$2 tax on each device (mobile phones, GPS units, and PND's)	\$ 11.8	\$ 12.5	\$ 24.4
#36a Impose PUT tax on Community Residential Services	\$ 12.8	\$ 14.0	\$ 26.8

NOTES:

¹Estimates reflect the September 2012 revenue forecast issued by the Forecast Council.

²Estimates for FY 2014 generally reflect 11 months of cash receipts, due to the 7/1/2013 effective date.

³Extension of sales tax to services includes reduction in B&O tax to retailing classification.

⁴Some items in this category are already subject to retail sales tax.

⁵Some items in "business services" are also purchased by households.

⁶The total impact for financial services does NOT include Fees From Banking Institutions.

⁷Estate tax proposals assume a January 1, 2014 effective date.

⁸Estate tax is deposited in the Education Legacy Account.