

ESSB 6143	House Striker		ESSB 6143 Summary	ESSB 6143 - FY09-11 \$Millions	House Striker - FY09-11 \$Millions
Part 3.	Part 5.	Direct seller B&O exemption	Eliminates the B&O exemption for firms that sell into Washington using direct seller's representatives. For periods prior to April 1, 2010 limits the exemption to consumer products. This is also known as the DOT Foods issue.	\$154.7	\$154.7
Part 4.	Part 6.	B&O tax on manufacturing of certain agricultural products	Limits the B&O preferential tax rate (0.138%) for meat processing to the manufacturing of perishable meat products, dehydrated, cured, or smoked meat products, and hides, tallow, and other meat by-products. Requires the final product using the special B&O tax treatment for fruit and vegetable processing to be at least 50% fruit and vegetables.	\$4.8	\$4.8
Part 5.	Part 8.	B&O tax on corporate directors	Disallows the employee exemption from B&O tax for corporate directors. Applies B&O tax at 1.5%. Provides forgiveness of tax for periods before July 1, 2010.	\$2.1	\$2.1
Part 8.	Part 13.	Repealing the B&O Tax Job Credit for International Service Activities	Repeals an underutilized B&O tax credit for international service activities (legal, accounting, tax, engineering, architectural, consulting ...) provided to persons domiciled outside the US or for use outside the US. Currently available only in CEZ and international services districts.	\$0.0	\$0.0
Part 13.	Part 7.	Sales Tax Exemption for Livestock Nutrient Equipment and Facilities	Suspends the sales and use tax exemption for equipment and facilities used for handling livestock nutrients at dairies and livestock feeding operations for 3 years.  <u>House Striker:</u> Eliminates July 1, 2020 expiration date.	\$1.6	\$1.6
Part 14.	Part 18.	PUD privilege tax clarification	Clarifies that "gross revenue" for purpose of the tax, applies to all charges for electricity including recurring charges as a condition of receiving the electricity.	\$1.2	\$1.2

### Same tax element but different treatment

Part 1.	Part 1.	Minimum nexus standards	<p><u>House Striker:</u> Applies B&amp;O tax to nonresident firms with substantial nexus within WA: (1) \$50K of property, (2) \$50K of payroll, or (3) \$500K of receipts. Gross receipts single factor apportionment for allocating service and royalty income to WA</p> <p><u>ESSB 6143:</u> Lowers the receipts threshold for economic nexus from \$500K to \$250K, Trailing nexus for 1 year, FI apportionment will be by rule, Amends the definition of "gross income of the business" so that financial institutions will determine their gain from trading in stocks, bonds, and other evidences of indebtedness on a net annualized basis, Excludes income from B&amp;O received by certain FI affiliates that the fed requires, and Excludes "investment conduits" from B&amp;O. The FIs characterize these as "pass thru" – basically, the entities through which banks package loans for sale to the 2ndary market.</p>	\$72.8	\$73.1
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Part 2.	Part 2.	Tax avoidance transactions	Requires DOR to respect the form of transaction unless transaction is to: Disguise income, disguise purchase or sale of property or services, or avoid use tax. Does not affect transactions initiated before July 1, 2010 that are based on a determination or other documents from DOR or to completed field audits for period before July 1, 2010. Closes methods used to avoid use tax and real estate excise tax.  <u>House striker:</u> Expires July 1, 2011	\$13.6	\$13.6
Part 6.	Part 11.	Foreclosure exemption from REET	Limits the real estate excise tax (REET) exemption for transfers made pursuant to foreclosure. Sales of the property to a third party would be subject to tax. When a transfer or conveyance pursuant to a judicial or nonjudicial foreclosure or enforcement of a judgment is a sale the tax levied under this chapter is the obligation of the buyer (Senate) / the bank (House)  <u>ESSB 6143</u> applies REET to buyer  <u>House striker</u> applies REET to bank	\$6.6	\$6.6
Part 7.	Part 12.	Tax Debts - Corporate Officer Liability	Allows the DOR to pursue uncollected taxes of a terminated or insolvent limited liability business from the chief executive or chief financial officer, or other persons responsible for paying the taxes.  <u>House Striker</u> includes only sales tax does not include B&O and other taxes	\$4.5	\$1.0
Part 18.	Part 14.	Sales and Use tax on Bottled Water	Expressly imposes sales tax (and thereby use tax) on sales of bottled water.  <u>ESSB 6143 also provides:</u> (1) a sales tax exemption for persons purchasing bottled water with a prescription; (2) exemption for persons without potable water; and (3) the tax and exemptions expire in 2013.	\$30.0	\$30.0
Part 19.	Part 19.	Temporary B&O Tax Surcharge on Service Businesses and Increasing the Small Business Tax Credit	<u>ESSB 6143:</u> From July 1, 2010 through June 30, 2013, and additional tax rate of 0.25% is added to the B&O tax on service businesses currently taxed at the rate of 1.5%. For any businesses subject to the additional B&O tax, the maximum small biz tax credit is increased from \$35/mo to \$70/mo. The increase in the small business credit is permanent.  <u>SHB 3191:</u> Increase service B&O tax rate for 1.5% to 2% on legal services, accounting services, agent and management services for artists, athletes, entertainers and other public figures, consulting and management services in administration, human resources, marketing, logistics and environment, marketing research and public opinion polling, and promoting performing arts, sporting and similar events.	\$170.8	\$46.6

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SSB 6874	Part 16.	Cigarettes	<p><u>ESSB 6143</u>: Increases the per pack cigarette tax by \$1. Additional 1.825 per pack is added to promotional packs, Additional 42 cent per pack on manufacturers that are not part of master settlement agreement. Money used to fund 36,600 enrollments in basic health plan.</p> <p><u>House striker</u>: Increases the per pack cigarette tax by \$1. Increases tax on OTP (except cigars, little cigars, &amp; moist snuff) from 75% to 95%. Increases tax on cigars to 95% of sales price w/ max. of \$0.65. Moist snuff is taxed at the greater of: \$3.025 or per pack cigarette tax. Small cigars are taxed at per cigarette tax rate.</p>	\$85.8	\$111.6

### Additional tax elements

Part 9.		Eligibility for the Rural County Programs	Clarifies that a business claiming the sales and use tax deferral under ch. 82.60 RCW and B&O credits under ch. 82.62 RCW are allowed to claim the incentives for computer programming, but only when it is used to create a new item for sale.	\$0.0	
Part 10.		Limiting the B&O Deduction for Dues and Fees	Current law provides a B&O tax deduction for dues and initiation fees; this would only allow the deduction for certain nonprofit organizations. They include those under 501(c)(3), (c)(4), (c)(5), (c)(6), (c)(8), (c)(10), or (c)(19). Provides a definition of initiation dues and fees.	\$1.0	
Part 11.		Limited the Bad Debt Deduction	In 1994, the Washington State Supreme Court interpreted the B&O deduction for bad debts to include bad debts assigned to a person purchasing an installment sales contract. This Part would expressly limit the deduction to the seller.	\$1.5	
Part 12.		Limiting Community Solar Incentives	For community solar projects, the renewable cost recovery program is limited to those community solar projects generating no more than 75 kilowatts of electricity.	\$0.0	
Part 15.		Repealing the sales tax exemption for coal	The sales and use tax exemption for coal used at a coal-fired thermal electric generation facility is repealed.	\$10.0	
Part 16.		Exemption for machinery used to create electricity from wind.	In order to qualify for the exemption for machinery and equipment used to create energy from wind, a producer must either be a local utility or someone contracting with a local utility for the sale of power.	\$7.8	
Part 17.		Repeal of B&O Exemption for Property Management Salaries	Repeals the B&O exemption for amounts received by a property management company from the owner of a property for gross wages and benefits paid to on-site personnel.	\$8.3	

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Part 20.		Temporary 0.3% sales/use tax and Working Families Tax Credit	From June 1, 2010 until June 30, 2013, an additional sales and use tax of 0.3% is imposed. The Working Families' Tax Exemption is amended. For remittances made in 2011, the exemption is the greater of \$25 or a 5% of the EITC granted, prorated for the 7 calendar months of 2010 in which the additional tax is imposed. For remittances made in 2012, the exemption is the greater of \$25 or 5% of the EITC granted. For remittances made in 2013 and thereafter, the exemption is the greater of \$50 or 10% of the EITC granted.	\$313.3	
	Part 3.	First mortgage deduction	Caps first mortgage interest deduction at \$100 million per year and specifically limited to interest and fees recognized as an adjustment to yield. Effective July 1, 2010.		\$67.1
	Part 4.	Nonresident sales tax exemption	Repeals the sales tax exemption for purchases by nonresidents from Oregon, Montana, Alaska, and a number of Canadian provinces.		\$41.5
	Part 9.	Aircraft excise tax	Replaces the existing aircraft excise tax with a tax of 0.5% of the depreciated value of the aircraft. Flat rate schedule for aircraft built before 1971 at twice current schedule.		\$8.4
	Part 10.	Interstate Equipment	Requires vehicles with ICC permits to be used 50% of the time, instead of 25%, to qualify for the use tax exemption.		\$7.7
	Part 14.	Candy/Gum	Extends sales tax to candy and gum. Requires DOR to bring alternative definition of candy to streamlined sales and use tax governing board.		\$30.5
	Part 15.	Cosmetic Surgery	Extends sales tax to elective cosmetic surgery. Covers medical procedures directed at improving appearance that are not medically necessary for proper body function or for treating illness or disease.		\$7.2
	Part 15.	Custom Software	Extends sales tax to custom software and customized prewritten computer software		\$76.5
	Part 17.	Rural County Tax Incentives	Extends rural county sales and use tax exemption/deferral for manufacturing, R&D, and seed conditioning for distressed counties (unemployment more than 20% over state average.) Removes computer related activities. Includes projects located in CEZs. Narrows sales/use tax deferral program and B&O credit program - manufacturers may take exemption for computer programming, production of computer software, and other computer-related services but nonmanufacturers may not. Applicants must provide estimates of new jobs for local work force.		(\$4.5)
	Part 20.	Solar Energy - Mfg sterling converters	Lowers B&O manufacturing rate on sterling converters used to convert solar heat into electricity. Allows solar incentive payment at 36 cents per KWH		\$0.0
	Part 21.	Investment Castings Sales Tax	Exempts wax, ceramic materials, and labor related to creating investment castings.		(\$0.2)

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	Part 22.	Aluminum Smelter tax incentives	Extends tax incentives for aluminum industry to 2017. Incentives are: reduced B&O manufacturer rate (0.484% to 0.2904%), sales and use tax exemption on state portion for construction at smelter, exemption from brokered natural gas tax, and B&O tax credit for property tax paid on smelter.		\$0.0
	Part 23.	Aircraft Repair stations lower B&O tax rate	Extends reduced B&O rate (0.484% to 0.2904%) for FAR part 145 aircraft repair facilities.		\$0.0
	Part 24.	Zoo B&O Tax	Exempts metropolitan park districts and nonprofit organizations that operate publicly-owned, accredited zoos from B&O tax.		(\$0.1)
	Part 25.	Performing Arts Sales Tax Deferral	Defers the payment of state and local sales and use tax on the construction of a performing arts center located in a city with population between 115,000 and 150,000.		\$0.0
		<b>Total</b>		<b>\$890.4</b>	<b>\$681.0</b>